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DEFENSE MINISTER ON EUROMISSILES, DEFENSE PROBLEMS

Brussels LA LIBRE BELGIQUE in French 10 Sep 80 p 3

[Interview with Belgian National Defense Minister Charles Poswick: "Decision on Missiles Must Be Made as Soon as Possible"]

[Text] National defense today is at the very core of political events. Compensations for the fuel price rise and the installation of Euromissiles on Belgian soil as a matter of fact have triggered misunderstandings and various statements which are more or less striking. On all of these points, we interviewed the man mainly involved Mr Charles Poswick, national defense minister.

[Question] Do you believe that what the General Policy Committee did, in taking up, in committee, the problems connected with the money to be allocated to the army, is a satisfactory solution?

[Answer] Not only do I consider it a satisfactory solution but I want to emphasize that I proposed that myself. As a matter of fact, the position and the statistics announced by the National Defense Ministry involve especially fuel expenditures and those statistics are irrefutable. It is thus not only perfectly normal but even desirable for a mixed committee, made up of members of parliament, military men, and possibly foreign specialists, to take up the problem in order very quickly (at the very latest, by 31 December 1980) to give the administration an opinion as to the allocation of the 750 millions earmarked for National Defense. I would add that, regarding the timing, those 750 millions will be needed for national defense only as of 1 January so that this step of turning the matter over to a mixed committee does not actually delay the current use of this money.

[Question] How do you explain the difference between the army's estimate (750 millions) and the estimate given by the socialists (53 millions) concerning the money which the army would need to keep up with the increase in fuel costs in 1981?

[Answer] The difference between the national defense estimates, with the figure of 750 millions by the way being considerably less than the real increase in fuel expenditures between 1980 and 1981 (1.44 billion), and the estimate given by the socialists (53 millions) comes from a misunderstanding it would seem. The socialist thought that the government's supplementary action would only cover the difference involving the VAT and the excise taxes for a limited period of time which indeed could add up to those 53 millions. Now, the decision adopted unanimously by the administration on 9 August was definitely this: the 750 millions were earmarked for the purpose of compensating only very partially for the almost uncontrolled rise in fuel prices over the past 2 years.

[Question] Mr. Martins indicated that the administration would move in two phases regarding the issue of Euromissiles and would begin by "spelling out the government accord." Does this mean that the latter would not be clear to everybody?

[Answer] For your information, I believe that I could give you the text of the government statement pertaining to the missile problem:

"Within the context of the Belgian position, as outlined by the prime minister on 12 December 1979 to the Chamber, regarding the problem of missiles on Belgian territory and taking into account the international situation, the administration must pursue the initiatives and contacts which were decided upon at that date and must examine the extent to which and when the conditions established will be implemented so as to make a decision on the basis of those elements. Parliament will then be able to play its role."

You will see that everybody can find an argument here as to whether one should make the decision quickly or whether one should delay. My personal feeling is that it is indispensable for a decision to be made as quickly as possible because our attitude is an essential element of solidarity and the entire Alliance has been basing peace and has been guaranteeing it for the past 30 years through this solidarity. Parliament must undoubtedly be enabled to play its constitutional role, that is to say, to evaluate the administration's decision, as soon as it has been made.

[Question] What about Zaire? What about this increase in military cooperation which some people seem to fear?

[Answer] I want to confirm to you most absolutely that my trip to Zaire was essentially devoted to a meeting with the military technical cooperation officers, to study their needs and to make sure that cooperation is being handled in the most effective manner. I made no commitment as to any expansion of military technical cooperation, except to confirm the commitment made earlier by the preceding administration and this, of course, depending upon our budget resources.

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SIMONET CRITICIZES GOVERNMENT ATTITUDE ON EUROMISSILES

Brussels LE SOIR in French 19 Sep 80 p 3

[Article by C.-G. S.: "The Hesitation Waltz of Belgian Euromissiles Has Excited the Verve of Henri Simonet"]

[Text] Should the Ministerial Foreign Policy Committee on Wednesday morning make a decision on the "Euromissiles" or should it confine itself to spelling out the way in which the decision should be made? This ticklish question undoubtedly became a matter of concern since the problem was sent back to the cabinet council on the following Friday. The positions of both sides seemed to have hardly changed. At noon on Wednesday, the chairman of the PRL [Party of Liberty and Walloon Reform], Mr Jean Gol, declared: "Belgium must without further delay decide on the establishment of the TNF missiles in order to restore its credibility within the Atlantic Alliance and, by strengthening the latter's cohesion, make it possible for the autumn negotiations between East and West to achieve real progress and to develop detente." The CVP [Social Christian Party], the PVV [Party of Liberty and Progress], and the PSC [Social Christian Party] are advocating similar theses. That is not true of SP [Socialist Party]--whose chairman, Mr Karel Van Miert, adopted a very strong tone--and the PS [Socialist Party] where the general council several months ago by an overwhelming majority voted in favor of the idea of the moratorium in spite of the opposition of the foreign minister at the time, the socialist Henri Simonet. NATO Spenger. In the current climate of Eurostrategic juggling, there was some impatience as people waited on the briefing regarding "Detente in Europe" to be presented on Wednesday noon at the Brussels Sheraton by Mr Henri Simonet, former foreign minister, who had been invited by the American and Common Market Club.

At the very moment when the Ministerial Foreign Policy Committee, in handling the matter of the "Euromissiles," postponed until next Saturday what it was unable to resolve, our former chief diplomat said sarcastically: "Continuing what I am forced to call the Belgian non-policy means

making Belgium behave like a sponger in the Atlantic Alliance. Now, there cannot be any detente without a strong, coherent, and useful alliance."

How did things get to that point?

Relentlessly, Henri Simonet has isolated, in Belgium and in other countries, by the way, a new virus, called "rampant neutralism" which corrodes the Alliance and "weakens it even more."

The virus is ravaging a portion of our political and semipolitical personnel who, out of "unawareness or naivete, perhaps with the elections in mind or because they deliberately want to undermine the alliance, are trying to reduce our participation in NATO, its substance and soon undoubtedly also its range." Indeed, Henri Simonet's entire attack was aimed at the unawareness, indecisiveness, and hypocrisy of a certain policy.

How could one fail to see that the refusal to arm oneself within reasonable limits is to deprive oneself of any possibility of negotiations since the opposing side will hardly be bothered in talking to conversation partners who are divided and weakened by the virus of "rampant neutralism."

But the abulian individuals who govern us--though they may be devoid of any spirit of decision-making--nevertheless do cultivate a certain form of humor which Mr Simonet discovered with a kind of amused astonishment: according to some people, should we therefore consult the Soviets before making our decision to deploy missiles on our territory?

"According to the great philanthropic and peaceful tradition of the Soviet Union," Henri Simonet replies, "the latter, at the end of this consultation, could not possibly fail to advise the Belgian government and all NATO governments urgently to restore the imbalance which currently exists in fact due to the presence of the Russian SS-20 missiles."

And what is one to say about those other "humorists" who propose that a decision "be made only after we have explored the intentions of the USSR?" The intentions are quite clear according to the mayor of Anderlecht: "The Soviet Union every week for the past 2 years has been installing a new nuclear warhead aimed at a precise point in Western Europe."

We consult and we explore but we do not decide anything: "I imagine," says Mr Simonet, in a both funny and cruel tone, "the anxiety which the Soviet leaders must experience at the mere thought of having to confront such formidable negotiators."

And besides, this brings us to the very essence of the subject, to the very core of the battle which our administration keeps fighting in the wake of an increasingly serious virology; let us look at another lengthy quotation from Mr Simonet each of whose phrases is like a red-hot iron on the sick men who so feverishly talk in the ministerial committee's study group: "The Pershing-2 missiles and the cruise missiles are the only

military and political response to the imbalance created unilaterally by the USSR. Military, because it is inconceivable that, in the end, the Europeans would agree to be the multiple target of Soviet rockets without the possibility of opposing it with the proper deterrence. Politically, because the prior decision to deploy the Eurostrategic missiles is the prerequisite for bringing about control and balanced reduction of arms on both sides. Those people who, out of naivete or with the elections in mind, oppose this idea are taking a risk that is intolerable to the security of the country and the solidarity of the Atlantic Alliance."

We are undoubtedly not ready to die every morning for another Danzig ("Foreign Policy is not a crusade") but the small countries "which as much as possible try to shift the burden of collective security to their bigger partners" must some day assume their responsibilities and "express themselves clearly."

In this area, Belgium has seriously damaged its international reputation by sometimes mentioning financial restrictions and by sometimes talking about loyalty to the principle of democracy, "in order to stay out of the NATO maneuvers. As for Europe, it would do well to get rid of one big illusion: the belief that it will always be possible to get the benefit of the American guarantee without making a proper defense and security effort of its own."

And Mr Simonet concluded on a rather Evangelical note: "Faith without good works is a dead faith."

The speaker hardly seemed to have much hope regarding the quality of the former and the effectiveness of the latter.

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'LE FIGARO' ON PROJECTED EUROMISSILE TALKS

L0220755 Paris LE FIGARO in French 17 Sep 80 p 1

[Article by Serge Maffert: "Nuclear Weapons and Detente"]

[Text] Preliminary Eurostrategic talks between the United States and the Soviet Union are to open, probably around 15 October. Their aim will be to determine the content of future East-West negotiations on Eurostrategic missiles and, eventually, so-called theater nuclear arms as a whole.

This is a precise and limited objective which is nonetheless important for two reasons. First, because the content of any future discussions in itself is a difficult problem which will condition any follow-up (the American and Soviet stances are very divergent at present). And, second, because these talks will constitute the first real negotiations between the United States and the USSR since the beginning of the Afghan crisis at the end of 1979.

Let us note in passing that they will start merely 3 weeks before the presidential election and that they could have an additional objective, namely, showing President Carter's concern for preserving detente and East-West dialogue.

Obviously, this is not the essence of the matter, which lies, in the superpowers' desire to exert the closest possible control over the arms race. Irrespective of what lies in store for SALT II (which has now become bogged down in the United States), both Washington and Moscow have clearly wanted for a long time that any future conference should relate to nuclear arms deployed in Europe. In short, it is a question of seeking a necessary balance between Soviet SS-20 missiles (which now have the upper hand) and American Pershing-2 and cruise missiles.

As for the European powers, which are especially interested in this issue, the problem has both political and military aspects of equal importance. The European NATO countries, which have agreed, not without some hesitation, to the stationing of the most modern Euromissiles on their soil, expressed the hope in December 1979 that negotiations with the USSR on the problem as a whole would be opened prior to the deployment of such missiles.

Obviously, France, which is not a NATO member, also feels concerned. Mr Giscard d'Estaing long ago proposed a European conference on armaments.

At any rate, this is an extraordinarily complex problem, technically, strategically and politically. The final, very uncertain, result will obviously depend on the United States' and the Soviet Union's actual desire for an agreement.

As far as the immediate future is concerned, the main thing is this: irrespective of what happens elsewhere in the world, (crises, local wars and U.S.-Soviet confrontations), Europe represents a special case. Only Europe can now become the cause of a general nuclear war. This is why, despite any risks involved in the situation, everybody--and the Russians and the Americans especially--has been trying to preserve detente in Europe. This could again be observed with reference to Poland.

Even though detente cannot obviously remain divisible forever, experience has shown that it can nonetheless be divided into two parts--in Europe it is sacrosanct whereas elsewhere it is being daily subjected to attacks of all kinds.

CSO: 3100

NEUTRON BOMB, NUCLEAR DETERRENCE DISCUSSED

PARIS STRATEGIE ET DEFENSE in French Jul 80 No 6 pp 8-9

(Article by Gen Georges Buis, Samuel Cohen, et al.)

[Text] Last 16 April in the reception rooms of the Sheraton Hotel in Paris the second dinner-debate was held, organized by the Association for Research and Defense Studies, on the topic: "The reinforced radiation bomb and French nuclear dissuasion." This dinner-debate met with great success, since 120 participants were able to appreciate the participation of numerous personalities including: Georges Buis, Samuel Cohen, Pierre Dabozies, Pierre N. Galois, Marc Geneste, as well as Jacques Hantzinger, Michel Aurillac, Charles Hernu, Jean-Marie Daillet and Jean Marane. We publish below some excerpts from the principal contributions.

G. Buis: According to the Pentagon's studies civilian losses would be four times greater than military losses. With the "N" bomb, you hit the beast's muzzle instead of breaking his back. Defensive strategy is flaunted in an aberrant manner. Any solution is better than that of progressive counter-action. Nuclear action should be delegated down to the bunker chief. It is the political side-issues that condemn it more than the technical side-issues.

P. Dabozies: The "N" bomb is not priority. Beyond 2,000 meters its effects are negligible. It brings our strategy into question, even if it does valorize our ANT. It is a redhibitory slipping of the significant test in the direction of tactical battle. It would be the decline of dissuasion and the valorization of battle. The political control of weapons would become impossible. It is good for the military-administrative complex, but the "neutron barrage" leads to integration with NATO. Tell me what your bomb is, and I will tell you who you are.

M. Geneste: A certain delegation of the power to use the bomb is in fact necessary. The formula of the test is extremely questionable. The vulnerability of the adverse forces needs to be utilized. U.S. strategy has not been worth anything since 1960. The weapon would make a European integration through the military route possible.

C. Bernot: This shell, this piece of ammunition, raises political problems. The technicians want to force the hand of the political experts. This whole affair undeniably has a commercial side to it. There is a wish to make nuclear war commonplace. Now tactical weapons cannot be uncoupled from strategic weapons. The "N" bomb is one of the surest means of making us get back into the American military system. Therein lies a major risk.

J. Maréchal: The technical and the political cannot be separated. Does not the "N" bomb involve giving up the discussion idea? The neutron projectile is a battlefield weapon. It makes sense only at the level of a strategy of use in an integrated system of the NATO type.

M. Aulicourt: This debate is very serious: it is a debate on the will to defend. Our effort must be concentrated on duration. We are facing the need to reinforce our strategic forces. The problem of the "N" bomb, besides that of the control of its use, is that of its costs and its timing. Its technology and the means of combatting its effects must be mastered. It would be premature to decide to manufacture it as long as strategic priorities have not been satisfactorily met.

J. Buntzinger: The priority of priorities is the choice of a reinforced strategic composition. A SNLE's at sea is a good number. The ANT is not useless, on condition that how it is to be used is clearly established. It is a crossbar of discussion closely integrated with the latter. It cannot be imagined within the framework of a stoppage battle. The matter of accepting the multiplication of it must not be considered. The choice is one of numbers. A defense system on the scale of western Europe could only be strategic to be effective. The best contribution to defense is still the development of our strategic forces.

J.-M. Daillet: There is no difference in the nature of arms of any sort. There is no moral conduct coefficient to attach to any of them. I believe that our country must outfit itself with the whole works. It is necessary to have the full range. France, by itself or with its allies, must be in a position to defend its territories.

Next debate: National Service. The next dinner debate of the ARED will take place at the end of next October. Important personalities will be called upon to give their point of view on the topic: "National service, maintenance of the status quo or adaptation."

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'L'HUMANITE' ON SLOW RESPONSE ON EUROMISSILE TALKS

LD251031 Paris L'HUMANITE in French 17 Sep 80 p 1

[Editorial by Yves Moreau: "Nuclear Escalation or Negotiations?"]

[Text] The NATO "special consultative group," which met in Brussels, made it known yesterday that exploratory negotiations between the United States and the Soviet Union on the question of medium-range nuclear missiles deployed on the European continent could start in Geneva on 15 October.

After 2 months and 2 weeks of equivocation, this is at last a first response to the precise Soviet proposals which Brezhnev explained to Helmut Schmidt on 1 July.

In any case, the need to hold negotiations on "Eurostrategic" missiles has been mentioned before. For instance, it was mentioned in a communiqué published on 11 January at the end of the Brezhnev-Marchais talks in Moscow. The European communist parties which met in Paris in late April came out in support of "effective negotiations on the question of medium-range missiles under conditions guaranteeing equality and security."

In fact, either such negotiations will take place and lead to an agreement or the decision adopted by NATO in December 1979 to deploy hundreds of new American nuclear missiles--Pershing-2 and cruise missiles--will dangerously revive the arms race on our continent.

It is in favor of such a revival that people like Francois Mitterrand, who have been very vociferous on the subject of Soviet SS-20 missiles, argue. The aim of all the organized propaganda on the subject of SS-20 missiles is to blur one essential fact, namely that the deployment of Pershing-2 and cruise missiles in West Europe would undermine the existing strategic parity since the Soviet Union has no bases on the American continent which would enable it to strike at the United States with medium-range missiles.

let us add that the decision made by NATO in December 1979 is perfectly consistent with the "Carter doctrine" which envisages a nuclear war restricted to the European continent while the United States would remain unaffected.

As for the "Eurostrategic" missiles which the Soviet Union has, no one has challenged the truth of the information on the subject given by Brezhnev in a speech made in Berlin on 6 October 1979--in the past 10 years the USSR has not increased by a single missile or a single aircraft the number of nuclear weapon delivery vehicles deployed in the European part of its territory; nor has it deployed any of these weapons on its allies' soil.

However, Brezhnev's proposals brought back by Helmut Schmidt on 1 July envisage the opening of negotiations on all "Eurostrategic" weapons, including Soviet weapons. Not only SS-20 and Pershing-2 missiles but also medium-range bombers and submarines would be discussed.

Any agreement achieved would respect the existing balance and, if possible, result in reductions in armaments on both sides. Logically, its implementation should be preceded by the ratification of the already concluded Soviet-U.S. SALT II agreement.

Why has NATO hesitated so long before deciding not to say "no" to such proposals? Why has it merely agreed to engage in "exploratory" negotiations, that is, essentially procedural discussions, instead of responding in a clearly positive manner?

Why has the Gaillardian government not said even one word in favor of negotiations? True, French defense policy is supposed to be independent of NATO, but would our country's security not be seriously affected by a nuclear escalation the threat of which can be averted only through negotiations?

Why choose the very moment when threats stemming from the "Carter doctrine" are taking shape to establish closer military cooperation with Bonn and promote the idea of a neutron bomb?

All these are worrying questions. They emphasize the need for more urgent measures by French public opinion against the arms race.

CSO: 3100

WAR SEEN FAVORING 'IMPERIAL INTRIGUE, INTERVENTION'

LD301521 Paris L'HUMANITE in French 24 Sep 80 p 1

[Editorial by Rene Andrieu: "A New Powder Keg?"]

[Text] When the capitalist powers used to argue among themselves over their domains they were apt to speak of the Balkans as the powder keg of Europe. Will the Persian Gulf region become a new powder keg which might ignite to trigger off a new world war? This is the question which we may ask ourselves, and which is already being asked by some, a question to which one may reasonably give a negative answer.

It is not that the situation is not disconcerting or even serious; it is: first, because hostilities result in deaths and in destruction, second, because a conflict, however limited, always runs the risk of spreading if care is not taken, above all, when it takes place in an area which everyone knows to be of strategic importance and the main supplier of oil in the world.

Without doubt, and contrary to appearances and to the idea which the news media are trying to impart, the people of this region have progressed along the difficult path of liberation, and imperialism no longer reigns alone there, as it did not so very long ago. It is a historical fact that with their bare hands the Iranian people overthrew the shah's police dictatorship, which was closely allied to imperialism, and that for their part, in 1958, the Iraqi people broke the chains of the Baghdad pact which Washington had imposed on them; but the conflict which sets Iran against Iraq at present proves that old rivalries are still alive.

Whether such a situation arises from the border conflict over the Shatt al-'Arab or differences between Sunnis and Shi'a, or Arabs and Persians, or whether it is the result of disagreement on the resolution of the Kurdish question, it is prejudicial to the interests of the two states and to world peace and creates conditions which favor intrigue and intervention by imperialist forces, which have suffered reverses in this part of the globe but have nonetheless retained the hope of recovering lost positions. It is by no means certain that they can do

this, since we are no longer living in age when a gunboat was enough to impose the domination of the strongest, as is proved by the U.S. army's commando operation fiasco against Iran last April.

This is without doubt where one must look for the reason behind the circumspection officially shown by the U.S. leaders. Mr Carter declared, that he did not consider himself involved in the conflict and that he would not take sides.

Naturally, some commentators, who no longer have to make a name for reliability, suggest that a thorough search would reveal the hand of Moscow behind the conflict between Iran and Iraq. This is the case notably with the Radio Luxembourg commentator Alexandre, who quotes in support of his thesis a Chinese leader, according to whom the USSR has "decided to gain access to the Indian Ocean, then obtain control of the Near East and its oil wells in order to encircle and destroy Europe, its primary objective." But here the prize should again go to Ivan Leval, who within a period of 24 hours succeeds in his exploit of accusing L'HUMANITE on Monday of favoring Iran to please Moscow and on Tuesday of not taking sides between Tehran and Baghdad, again to please Moscow.

This is what is called a union of political clarity and good faith.

Even if it does not end in a world war, the uncertain battle being waged by the Iranians and the Iraqis deserves our attention. The quest for a negotiated solution should take the place of armed conflict.

CSO: 3100

FORMER ENA STUDENTS DISCUSS NEUTRON BOMB

Paris STRATEGIE ET DEFENSE in French Jul 80 No 6 p 9

[Text] We publish below the report on the contributions made during the talks organized by the former students of the ENA on the general topic, "The dangers of war." Here the discussion is focused particularly on the reinforced radiation weapon (excerpt from topic 2: strategies and systems of weapons).

The display of the neutron bomb and its foreseeable consequences.

In the technical exposition by General Maurin which opened the meeting, the "reinforced radiation" weapon found itself on the carpet. Each one of the specialists present took up this topic subsequently. Moreover, it occupied a privileged place in the debates. The successive assumings of position bring to light two clearly defined opinions, reflecting fairly faithfully the controversy that has been going on for several months.

Negation of the idea of dissuasion.

For the champions of this argument there is radical incompatibility between the dissuasion concept and the generalization of the neutron bomb. The latter indeed leads to making the use of nuclear means "commonplace" (C. Hernu). Such a turn of events is contrary to France's official doctrine, a doctrine based on a calculation of the risks and advantages of a possible aggressor: the greater the probability of massive and radical counteraction seems to him, the more the threat is dissuasive. By introducing intermediate stages into the process, the neutron bomb, just like other ANT's, attenuates the threat and reintroduces the possibility of battle.

In reality, Mr Cot and Mr Aurillac especially affirm, we would go back to aligning ourselves, without saying so, with the doctrine of progressive counteraction developed by the Americans. Instead of maintaining the pivotal role of a strategic nuclear force, the outline of the development of recourse to tactical weapons begins to appear well beyond their initial function as "stoppage action." This new concept called "barrage" implies, as Mr Dabezies points out, the putting in place of about 5,000 neutron bombs, that is to say the committing of expenditures not at all compatible with our current military budget.

But the strategic arguments are not the only ones that are taken into account. In the international context the decision on use of tactical nuclear armament and the neutron bomb in particular calls for a meeting of minds among the allies. To begin with, Germany's approval would be needed, since the first hits would probably take place on its territory. In like manner, it would be difficult to do without the opinion of the United States. Thus there starts once again total reintegration into NATO with, as a corollary, the loss of national independence heretofore guaranteed by strict respect for the dissuasion scheme.

In face of this doctrinal slip, the adversaries of the neutron bomb advocate the construction of a few dozens of these weapons, limiting the, like the whole of tactical armament, strictly to a warning role. The central axis of defense would remain the strategic force, the modernization of which would be seen to constantly.

An enriching of the defense panoply.

All those participating recognize the value of the concept of dissuasion; certain of them are intent upon demonstrating the compatibility of that standpoint and the deployment of the reinforced radiation weapon.

Mr Daillet points out how unforeseeable the "war of tomorrow" is. The importance of timing between the adoption of a weapons system and its entry into service (this aspect is stressed over and over again in the debate) requires preparation for all contingencies.

Consequently it is hard to see why France should abstain from enriching its counteraction gear, if it feels it has the necessary financial means. Besides, it is quite unlikely, Mr de Rose feels, that the relentlessness shown by Russia in combatting the West's adoption of the neutron bomb is dictated by a concern for keeping the West from making a mistake. On the contrary, we have to deduce from it that such a weapon is highly effective, and that there is an urgent need to equip ourselves with it.

The same speaker affirms that France, by limiting itself to "sanctuarizing" its territory, is depriving itself from intervening in Europe in case of an aggression by the Warsaw Pact. Now the Soviets already possess nuclear means with reduced side effects; thus it is necessary to adapt our counter-action capabilities to an identical level.

In this perspective the neutron bomb is an ANT like any other, only with stronger radiation effects. If the idea of a tactical nuclear battle "does not hold" (Mr de Saint-Germain), it is beneficial to institute intermediate stages within the strategic "all or nothing" system. The neutron bomb strengthens warning abilities and constitutes an additional sign of willingness to cross the nuclear threshold. This approach, moreover, does not necessarily imply the putting in place of a sizable number of tactical weapons.

The report on the talk, "France in Face of the Dangers of War," can be obtained by writing to the Association of the Former Students of the ENA, 13, rue de l'Universite, 75007 Paris.

Editor's note: According to our information on the cost of the reinforced radiation weapon, from 500 million to 1 billion francs a year, everything included, for five years would allow the deployment of from 200 to 300 weapons (on the basis of an inexpensive vector with a range of 30 kilometers). Such a weapon is considered necessary for the land army, especially taking into account the almost total absence of means of acquisition of objectives, and for the Atomic Energy Commission, whose work load would be dramatically reduced in the years to come, if such an order were not sent to it. The pressures of the "neutron triangle" of the land army (otherwise known as "the Saint-Cyr three") and the Management Office of the Military Applications of the CEA therefore must have been especially intense. We point out to readers interested in the matter of the "neutron bomb" that they can order from us a special file about 20 pages long on this subject (15 francs a copy to the order of the ARED, mentioning "special file neutron bomb.")

9498

CSO: 3100

SUPERPOWERS' STANCE ON IRAN-IRAQ CLASH, ARMS TALKS VIEWED

LD301335 Paris LE MONDE in French 27 Sep 80 p 1

[Editorial: "The Two Superpowers' Neutrality"]

[Text] The Soviets and Americans can oppose each other and heap insults on each other as much as they like--as they have been doing with regard to Afghanistan since the beginning of this year--but they are doomed to reach agreement and at least dialogue as soon as a crisis not sparked off by them seems likely to endanger the international balance.

The conflict between Iran and Iraq is again illustrating this situation. Of course the Soviet press sees in it an opportunity to denounce the Pentagon's alleged tendency to "exploit this new hotbed of tension for its hegemonist interests," and, as PRAVDA of Friday, 26 September does, to go so far as to accuse Washington of planning an "adventure" in the region by brandishing the danger of an "oil shortage" in front of its allies. However, that is just a routine attitude concealing the lack of well-defined stance on the issue.

Furthermore, not only has no official warning yet been sent to Washington by Moscow, but this issue did not prevent Mr Muskie and Mr Gromyko from having, Thursday in New York, their longest conversation since the U.S. Secretary of State took office or from noting at least one area of convergence: the two countries seem sufficiently determined to maintain a neutral stance between Baghdad and Tehran for Mr Muskie to express the view that an escalation in the conflict is "not very likely." This result is considerable even though it has not led to any definite prospects so far.

The two superpowers seem incapable notably of reaching agreement on a settlement procedure or even a joint appeal for a cease-fire or an official approach to the UN Security Council. Since Iraq and Iran have so far not deemed it useful to approach the international organization, Washington and Moscow can only hold back more cautiously still. Hence, the current interest, especially from the West, in discussions among the Islamic countries which seem to offer the least compromising framework for any attempt to reach a settlement. At the same time the two

superpowers confirmed their first major arms limitation meeting since the SALT II agreements were signed. The "preliminary talks" which they are going to start in Geneva 13 October on the question of nuclear arms in Europe promise to be even more arduous than the SALT negotiations have been for the past 11 years, but the announcement confirms that the dialogue is continuing in this crucial sphere, despite the fact that the document signed in Vienna 15 months ago has been quarantined.

It is true that the two sides still disagree on the very aim of these talks. The Soviets still want to discuss all U.S. nuclear weapons in Europe while Washington wants to limit the discussion to ground-based medium-range missiles. It is also true that the polemics being kept up on this question are likely to be ended in the near future. Mr Gromyko even felt it incumbent on him to denounce in his communique "the dangerous nature of the new nuclear strategy announced by the U.S. Government." However, it seems all the more necessary for the two sides to discuss the question.

CSO: 3100

ANALYSIS OF MEDITERRANEAN AREA ECONOMIC, DEMOGRAPHIC NEEDS

Paris LE MONDE in French 12 Sep 80 p 2

[Article by Paul-Marc Henry, president of "Mediterranean Exchanges":
"The Great Menace: Structural Begging"]

[Text] In a recent survey, the average Frenchman said that he unreservedly admired the "safe" values of the countries of northern Europe, beginning with the Federal Republic of Germany, and viewed with nostalgia the security and stability represented by Switzerland. On the other hand, he turned away from the so-called "unstable" countries that are threatened by internal subversion, foremost among them, Italy, closely followed by Spain, not to mention, of course, Turkey, which in his eyes belongs to the Third World and its procession of frustrations.

It is in this context that one must view the growing hostility to the expansion southward of the Common Market, which however at first sight would restore a balance to a European Community that is greatly oriented northward. One sees the emergence of a paradoxical situation, with Great Britain and the FRG, non-Mediterranean powers, now unreservedly supporting the new expansion of the Community, and France now appearing as a protector, defending the immediate interests of its own southern regions.

One could even maintain that France, having derived optimum advantages from a policy of specialized productions and from financial support for cereals, dairy products, and beet-sugar, refuses to accept the consequences of an analogous policy for the so-called Mediterranean productions, which could make of Spain, Portugal, and Italy privileged (and largely subsidized) suppliers of fruit, vegetables, and wine.

Thirty Years of Fruitless Endeavors

It is a question, in fact, of nothing less than the entire problem of the relationship between the over-industrialized regions of the northern zones and the under-industrialized regions of the southern zones. This is a

problem throughout the Mediterranean, on the one hand, and Africa and Asia, on the other. More or less concealed by more or less effective policies regarding redistribution of the gross national product, it exists also within the nations of the northern zone which front on the Mediterranean: Spain, Italy, Yugoslavia, and Greece, with Turkey being the hinge between the two worlds. Thirty years of endeavors to assure a certain balance among these zones of diverse productivity, and often of diverse culture, have only ended, it must be acknowledged, in exacerbating internal and outside pressures and the regional disparities that one wanted to attenuate.

In many respects, the political terrorism that characterizes the southern regions, and the masked or open state of war that affects many parts of the Mediterranean and make of it a highly critical zone with respect to international balance, are due to this inability to treat the problem on a national and international plane.

The technological revolution based on fossil energy, the demographic revolution that accompanied it, and the lightning adoption (in two generations) of the consumption patterns of rich and industrialized countries have deeply changed the living conditions of the Mediterranean populations. It perhaps even poses the problem of their cultural and social survival.

The northern and southern Mediterranean regions have common characteristics. Neither is truly rich in the sense that it has vast fertile spaces capable of spectacular agricultural development. Water resources are erratic and most often inadequate.

From the beginning of historical time, there has always been a movement from the interior to the coastal regions, from the mountains to the low regions across the piedmonts of the large, semi-nomadic plains of Europe, of Asia, and of Africa to the sea, the location of trade, of wealth, of conquest. It is in that region that one can best observe "in vivo and in situ" the necessary and basic spanning of a "threshold" by man and his environment. The phenomena of urbanization, pollution, tourism, and emigration are the aspects and the results of this, not the causes.

The region has lost its self-sufficiency in the matter of food supply. It now appears that the basic strangling bottleneck lies in the matter of water resources, more and more rare, and more and more costly. The coastal zones and the continental plateau, where they do exist (as between Greece and Turkey, Libya and Tunisia, Italy and Malta), are the object of savage competition, tending toward an appropriation--private or public--of potential, nonutilized resources. Biological resources have already been greatly over-exploited, and the Mediterranean is greatly in debt in this matter compared with the Atlantic regions.

The Mediterranean man finds himself grappling everywhere with the basic problem of coastal space saturation. In a 1976 report some experts wrote: "The result of demographic pressures on limited resources and on infrastructures at the urban level have created an excessive additional burden on housing, public transports, health conditions, and recreation facilities...It is very possible that the impact of this excessive burden on the environment will result in some irreversible harm to local and regional ecological systems, the seaboard, underground water resources, and overall natural resources..." This prognosis has been fully realized. It is no longer presently possible to conceive, and even less to put into practice, a large-scale industrial and urban development that would be able to absorb in a satisfactory economic and social manner a rapidly growing population, either through demographic evolution or through massive migration, to the coastal zones.

Strategic and Economic Passivity

Would the Mediterranean world thus be condemned to a growing dependence on outside worlds--essentially Atlantic and Nordic ones? Is its strategic "passivity" coupled with an economic "passivity?" In the present circumstances and taking into account the lightning increase in Euro-American types of consumption, the answer unfortunately is in the affirmative.

At present some big Mediterranean countries that have made heroic efforts to modernize, like Turkey and Egypt, find themselves in a financial situation which, every allowance being made, is worse than that of the Ottoman empire. The latter at least could feed its population--5 times less numerous, it is true. Now, countries like Algeria, having important natural and energy resources, have to face up to a dangerous situation owing to a growing burden represented by the importation of food. A country until now well balanced, like Morocco, has to allot all of its phosphate revenues for payment of half of its importation of hydrocarbons. The northern zones are paying an exorbitant price, with the saturation of their spaces and the degradation of their agriculture, for illusory compensations.

Other similarly threatened regions of the globe, like Southeast Asia, that are also located in the dangerous zone of the planetary conflict, have chosen to organize themselves, or else to unite, in order to avoid being the first victims. Will the Mediterranean peoples have the courage and the ability to do the same? Swamped by a high-consumption Atlantic civilization and an immense number of young people, to a great extent unemployed and who aspire to attain as quickly as possible levels of consumption which their system of production cannot guarantee them without enormous international subsidization, will they be able to break the fatal circle?

A national- and international-scale safeguard agreement is indispensable. It is necessary to begin with food production in order to stem the threats

of structural begging at the national or international scale. Big, over-concentrated industrialization projects must be drastically revised to make room for an economy that is diversified, decentralized, and better distributed territorially and that will tackle the problem of employment by stabilizing populations in their own natural environment. It is necessary to undertake the difficult, but technically possible, even indispensable, valorization of previously arid zones, of hills, of plateaus, and of mountains that are in a state of abandonment and of rapid erosion and thus of social extinction. It is necessary to conserve water for essential consumption. Energy must be produced and used on a priority basis to satisfy local needs.

This immense task requires that the northern and southern regions of the Mediterranean jointly contribute their human, technical, and financial means. The northern countries must stop regarding the Mediterranean as a mere strategic dependency and a mere industrial and tourist appendix, a useless and costly camouflage for a policy of economic colonization which one does not dare to identify as such. It is not the expansion of the Common Market that is in question. It is the problem of the reorganization of the Mediterranean economies, whose works are threatened by a gigantic opponent whose rules, and development, completely overlook them.

8255

CSO: 3100

DENMARK, FINLAND, SWEDEN PLAN JOINT POWER PROJECT

Oslo AFTENPOSTEN in Norwegian 25 Aug 80 p 31.

[Article by Olle Ekstrem]

[Text] A joint power project, costing several billions of kroner, to save oil is being discussed by Denmark, Finland and Sweden. The purpose of the project is to better coordinate the power networks of the three countries. New direct current cables will be built between Denmark and Sweden as well as between Finland and Sweden, according to what TIDENSTEKN has learned.

The project is being discussed in a working committee within the Nordic Coordination Committee for Power Supply, Nordel. The National Swedish Power Administration will, in the course of 12 months, enter into discussions with the Finnish Water Power Administration concerning the running of a direct current cable between the Forsmark nuclear power plants at Uppland and Olkiluoto outside Bjerneborg, or from South Finland below the Ekater Lake to a point just south of Stockholm.

One reason for choosing the stretch Forsmark-Bjerneborg is that the bottom conditions of the Baltic are familiar on that stretch. Another reason is that both places have nuclear power plants with well developed distribution networks, TIDENSTEKN points out.

Another direct current cable will be run between Ringhals on the Swedish west coast and Grenå in Jutland.

The connection Finland-Sweden has been calculated to cost 850 million Swedish kronor, and the cable will have an effective power of 450 megawatts, corresponding to a nuclear power plant of moderate size. A decision on the transmission line between Sweden and Finland is scheduled to be made at the end of next year. The details are not clear regarding a transmission line between Sweden and Denmark, but it is a question of investments of several billion kroner.

The idea is not to use the planned power network Denmark-Sweden-Finland for regular import and export of electric power but to use it for increased coordination in order to better utilize the power networks of the countries. When they have to start oil or mineral oil burning power units at big consumption peaks in the Nordic countries, and this means costly, imported oil.

These consumption peaks do not occur simultaneously in the three countries; that is why, through better coordination, the power plants may take power, for example, from a coal-burning Danish power plant during a peak period in Sweden. Denmark would, in the same way, be able to utilize Swedish nuclear power instead of starting an oil-burning Danish power unit.

The purpose of the coordination between the three countries is to level off peak loads and to reduce the dependence on oil for all three countries.

The running of the cable to Finland is an extensive technical project. By way of comparison, it may be mentioned that the present cable from the Swedish mainland to Gotland has an effective power of 30 megawatts, and the Gotland cable which it was recently agreed to run will have an effective power of 170 megawatts.

Between Denmark and Sweden is already a cable of 260 megawatts, and between Denmark and Norway there is a cable of 900 megawatts, TIDENSTEGN points out.

7262
CSO: 3108

GENERAL CLOSE PROPOSES MULTINATIONAL MOBILE INTERVENTION FORCE

Brussels SPECIAL, L'EVENAIL in French 12 Sep 80 pp 11-12

[Text] The annual meeting of the Atlantic Association, which was held at Funchal, Madeira, brought out a totally new and revolutionary idea based on the initiative of Gen Robert Close, Ret., who today thinks that, in order to restore the balance between the forces of East and West, a multinational mobile intervention force [rapid deployment force] should be organized.

Robert Close, who had been chosen as the military reporter to this Funchal meeting by Atlantic Association President J. de Madre, came out with this rather unexpected idea, based on the fact that "in the field of foreign intervention, if there were a serious threat to our vital sources of supply, it seems ruled out that NATO could intervene as such, beyond the limits provided for in the treaty. But, if the political determination exists, there is nothing to prevent us from setting up a multinational FMI (Mobile Intervention Force [rapid deployment force]), the way this was done with the AMF (mobile force within NATO, made up of multinational detachments). This rapid deployment force would demonstrate the solidity of European nations and the United States regarding their vital interests. Nothing would prevent the national contingents already assigned to the AMF from receiving a mission and supplementary objectives within the framework of the FMI. It would then remain for us to set up and organize the naval and air components of such a force. It could include participation of the FRG, the UK, France, the Benelux countries, Italy, Portugal and, in general, any nation that would like to join. This would be some sort of 'European pillar' whose other component element would be exclusively American."

Prevent American Disengagement

General Close is envisaging the creation of this force outside NATO according to the methods involved in the conclusion of a treaty or, more simply, multilateral accords. That, in any case, would permit the Europeans to prove to the Americans that they have finally decided to do their part.

Regarding the practical method of setting up the FMI, Robert Close would even recommend that France should take command because one must not forget that it is deploying the most considerable naval presence, among European countries, in the Mediterranean and that it presents a by no means negligible front in the Indian Ocean through its presence at Djibouti.

At a moment when everything must be done to prevent an American disengagement, the idea of setting up this FMI would furthermore make it possible to upgrade the Western European Union which fell into disuse the moment a good portion of its prerogatives are concentrated in the hands of SHAPE. And if, furthermore, the country's National Defense Minister Charles Poswick would wish to take the initiative of launching the idea on the political level among his European colleagues, Belgium's prestige--seriously battered within the Atlantic Alliance since its tergiversations relative to the problem of Eurostrategic arms modernization--could emerge restored.

Guarantee of Our Survival

The idea behind this mobile force, which would be presented to the European strategists and politicians, once again forces us to observe that we are totally exposed in the face of aggression. It is obvious of course that we must not be too optimistic because, at best, no deployment has been provided for prior to 1983. Well, between now and then ...

Having let things slide, Europe is powerless. General Close furthermore does not hesitate to say: "The day disintegration of the East starts (and could not what is happening in Poland now be an alarm?), the Soviets will use any means whatsoever in order to save face, even going to war, if they have no other way out." This observation however did not prevent Robert Close from being optimistic regarding his FMI idea which should become the guarantee of our survival by keeping our sources of supply open, that is, the oil fields. This idea, we must say, is not unfeasible. Not only do we have this AMP, which we mentioned earlier, within NATO, but we do have the contingent in being so as to set up this new force. For Belgium, the fact that a new European force is used should not raise any problems because it would suffice to give our para-commandos a new mission. All of the material elements thus exist. Everything now depends on political determination which will have to take into account the fact that the cost of the operation basically does not imply any increase in the national defense budget. Instead of embarking--as we did in the case of Shaba--upon rather slim operations aimed at specific objectives, we could use this new force to show the USSR that the Europeans are at last forming a bloc. It is high time really to provide the means for implementing this worldwide policy which the Western Bloc claims it wants to pursue.

3:1 Ratio of Strength between USSR and NATO

This is especially true since we must not overlook the context of a pre-occupying international situation characterized by destabilization due to

the continuing growth of the Soviet arsenal as well as a strategic environment which likewise has been considerably modified (in conventional forces, the Warsaw Pact nations have an air-ground superiority over NATO amounting to 3:1).

On the other hand, the American decision regarding the rapid reinforcement of Europe, paralleled by growing awareness among public opinion, which proves to be increasingly worried about the risks of a third world war, should mean that General Close's proposal will be well received. Confident in the future of the PMI, the general furthermore said: "Our forces are sometimes inferior to what they were within the context of the strategy of massive retaliation, when their role was confined to sounding the alarm. Deterrence based only on nuclear weapons is not a cureall and furthermore does not work in the peripheral areas where our vital interests could be threatened." It should be noted that, faithful to this theory, Robert Close is working on a new book which, under the title "Le temps des actes" [Time for Action], will examine the issues of deterrence and defense, Soviet expansionism, the American and European viewpoints, regional or global strategy, nuclear weapons for European defense, as well as the existing conventional forces.

5058
CSO:3100

DE CROO SAYS PENSION FUNDS NEAR EXHAUSTION

Brussels LE SOIR in French 16 Sep 80 pp 1, 2

[Text] "Starting at the end of year, we will no longer be in a position to pay all pensions. We have almost as many retired people as we have working people; pensions expenditures have reached the level of our reserves. We are approaching the breaking point, in other words, the pure and simple failure of the retirement system."

This is what Mr Herman de Croo, minister of posts, telephones and telegraphs as well as pensions, told our fellow newsmen from LA NEUSE--LA LANTERNE. These statements are shattering statements regarding the future of our retirement systems. This is even more true if we place them within the general context of the job crisis, public finance, and social security.

What are we to do? As we will read further, the minister proposes a three-point rescue plan. But this plan involves only pensions. However, in the final analysis, looking at the unemployment spiral, it is our entire social security which is directly threatened--on short notice.

The crisis has forced enterprises to close down and has put people out of work. They have to get their unemployment insurance while at the same time they are no longer making any social security contributions themselves. The government does not have enough money to stop this bloodletting and the entire social security system is headed for bankruptcy.

Social planning coordination, which is to be resumed this week between the government, the employers, and the labor unions, is of tremendous importance. Unemployment will not stop rising during the coming years--the Planning Bureau estimates the number of unemployed in 1985 at 500,000--and pension reserves will be exhausted in 1981 while social security as a whole will be facing a deficit of something like 50 billions (out of a total budget of 360).

According to the pension minister, "We are blissfully carefree as we teeter on the brink. But the footing is slippery and we run the risk of falling into the icy waters. As usual, the rich will survive because they have what they need to take care of themselves and the poor will die."

"Right now," he says, "we are putting our pensions together at the expense of others. But that is no longer possible. Hereafter, everybody will have to take care of his own future because there will be almost as many inactive people as working people who make contributions and Because the pension fund reserves are not enough to derive any capital revenues."

Here is his plan: give all Belgians a "minimal identical" pension and permit everybody to put additional pensions together for themselves. Those pension funds would get the benefit of certain tax advantages, they would make it possible to reconstitute a large volume of reserves and they would enable the government to find the necessary money.

"Starting with this general principle, we would then have to pare down the highest pensions in order to help those who get too little retirement pay (they are spread out between F9,000 and F120,000 per month. Then we would have to make a choice among several possibilities: merge all of the retirement funds, postpone retirement age, have the reserves managed by the private sector, or make future retirees work part-time."

It should be noted that, in the minister's view, this project does not yet commit the government. But it will very soon be submitted within the committees in the Chamber and the Senate.

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CSO:3100

SP'S VAN MIERT'S CONNECTIONS WITH EAST BLOC DISCUSSED

Brussels SPECIAL, L'EVENAIL in French 12 Sep 80 pp 6, 7

[Unattributed article: "Karel Van Miert--An Agent of the East?"]

[Text] Some people do not hesitate to say that the chairman of the Flemish PS [Socialist Party] is an agent of the East whose primary mission time is at all costs to prevent the modernization of all nuclear arms. We will not go so far as to say--as some people have--that there is a link between the fact that his in-laws still live in East Germany and his pro-Soviet attitude in the context of Atlantic defense. But on the basis of a confidential document coming out of the Belgian embassy in Bucharest, it emerges clearly that Van Miert has undertaken certain very specific commitments toward his friends in the East Bloc which can only corroborate this accusation.

We remember the violence with which, last December, he tackled the problem of modernizing the TNF, stating among other things:

"We think the installation of Eurostrategic arms in West Germany and the Benelux countries is harmful to whatever remains of the spirit of detente. The installation of these arms will not strengthen the credibility of the American commitment in Western Europe. We do not want to be the dupes of a certain propaganda. The USSR is a superpower. It is thus interested in guaranteeing and protecting its spheres of influence. We are aware that the enormous armament effort made by the Soviet Union cannot be explained only in the light of the concern with defending itself against a, by the way, highly hypothetical invader."

Belgian Socialist Party Manipulated by USSR

Such statements--rather remarkably countered by General Close, who paid his dues when he was fired from his position as chairman of the National Defense Problems Committee--constitute the first elements that make Karel Van Miert appear as the instrument of Moscow propaganda whose arguments he constantly keeps repeating. Contacts with the East Bloc by Karel Van Miert

and Andre Cools, as representatives of the PSB [Belgian Socialist Party], are somewhat longer-standing. As a matter of fact, the PSB in November 1972 sent a delegation to Moscow which, after long brotherly talks, on that occasion signed an accord with the CPSU, confirming "the success of the Soviet people in the construction of communism."

By signing this type of accord, the PSB became the first member party of the Socialist International to betray the fundamental declaration of the organization which rejects cooperation with communism, thus becoming an ally of Moscow in the fight conducted by the Kremlin in order to neutralize the West.

Need we finally recall that it was that same Karel Van Miert who, in Luxembourg, in April 1979, expressed his hope for a European socialist democracy that would be equidistant from the USSR and the United States?

Belgian Socialists: Disarm Immediately!

There is therefore nothing astonishing in the fact that, faithfully following this line of conduct, he visited Bucharest on 7 February, dropping in on Romanian chief of state Ceaucescu. And he was not the only one to make this pleasure trip. Andre Cools was included in the party, as was Mrs Emy Spelkens, head of the international section of the Walloon Socialist Party. Thus, when it comes to playing into the hands of the East, our socialists forget that they are divided on the level of Belgian domestic politics. The conversations that took place between Belgian and Romanian socialists (including Virgil Cazacu, a member of the Executive Committee of the Romanian Communist Party's Central Committee) dealt with a confidential report prepared by the Belgian Ambassador in Bucharest, Mr Jean Bouha, addressed to Mr Simonet, at that time foreign minister. This report, which bears the reference No P04.92-S.G. : 1115 and which is dated 8 February 1980 states the following in particular: "The conversation partners with much satisfaction underscored the positive and fruitful development of relations between the PCR [Romanian Communist Party] and the socialist parties of Belgium and it was considered that the constant deepening of these relationships contributes to the development of good relations between Romania and Belgium and that it serves the cause of peace, detente, good understanding and collaboration in Europe and throughout the world. It was decided to work together in order to strengthen collaboration between the PCR and the socialist parties of Belgium."

Regarding the international political situation, the two parties "felt that it was necessary to step up efforts aimed at the constructive solution--in the interest of the peoples--of problems with which mankind is currently confronted. They underscored the special importance of the unity of all progressive and democratic forces of the world, of all peoples, with a view to preventing the aggravation of international tension and a return to the policy of the cold war, to settle disputed problems among states through negotiated political channels, definitely to rule out the use of force and the threat to use force, to pursue the course toward

detente, based on respect, within international relations, for the principles of national independence and sovereignty, equal rights, and non-interference in internal affairs."

Such statements, coming from the socialists, can only make us smile. But the point where we stop smiling is when we read in the same report that Karel Van Miert echoed Nicolae Ceaucescu on the following point: "The parties underscored the need for the adoption of firm disarmament measures and, first of all, nuclear disarmament."

Following such statements, there was really only one more step to go before our socialists, within the prospects of the coming Madrid meeting, would say, "that is is necessary to draft concrete disarmament measures without which peace, detente, and international security are inconceivable. The parties came out in favor of the determination of underdevelopment and the establishment of a new international economic order which would guarantee each nation, especially the developing nations, an independent social-economic takeoff, without outside interference." And Karel Van Miert simply could not terminate this "interesting visit to his Romanian friends" without reaffirming his most heart-felt desire to do everything possible to prevent the establishment, in Europe, of nuclear weapons and to stop the arms race. The report has this to say on this score: "They also urged all progressive forces to work hard in order to stop the arms race before it is too late, so as to prevent the installation of nuclear rockets and other weapons in Europe, for the creation of an atmosphere of confidence between the countries of our continent, so as to protect each nation against foreign interference, feeling that the guarantee of security in Europe can strongly contribute to the improvement of the political climate in Europe, detente, and peace all over the world."

And here is the warning issued by General Close to Karl Van Miert: "If we reject the modernization of nuclear weapons with the help of cruise missiles and Pershing II, we will be vulnerable to all kinds of political blackmail and it takes a good dose of naivete to do that sort of thing. The disengagement between the United States and Europe would be the biggest diplomatic victory of the USSR since the end of World War II."

It is thus not astonishing to see to what point the statements of Karl Van Miert correspond exactly to the commitments which he undertook at Bucharest toward his friends in the East.

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CSO:3100

SIZE OF FRG CREDITS TO CEMA COUNTRIES EXAMINED

Frankfurt/Main FRANKFURTER ALLGEMEINE in German 3 Sep 80 p 14

[Article: "German Credits to the East Bloc Still Appear Defensible"]

[Text] Luxembourg, 2 September--The new credit granted to Poland by German banks has thrown up the question of the extent to which the German financial sector is engaged as a creditor in the East bloc. The statistical material on the volume of credits to the East is confusing and often gives rise to misunderstandings. The UN Economic Commission for Europe in Geneva and the German Institute for Economic Research in Berlin have published global figures on the net indebtedness of the states belonging to the Eastern economic bloc CEMA. In this context they exclude Yugoslavia and Cuba. Data on these two countries can be found in the credit statistics of the Bank for International Settlements [in Basel]. All of these data, however, include credits from the FRG to the GDR are booked almost entirely through the clearing account at the German Bundesbank [the national bank of the FRG]. The German Eurobanks participate only to a negligible extent in foreign currency lending to the GDR. This explains why such varying figures on the global indebtedness of the East bloc come to be mentioned. The confusion is increased by the fact that some compilations also include credits to Peking as a component of the East bloc credits.

The CEMA countries (excluding Yugoslavia and Cuba, but including the GDR) were indebted to Western banks to the amount of \$52.9 billion in 1978. By the end of 1979 these debts had grown to \$58.9 billion. In the middle of the current year the \$60-billion mark will have been reached. If the credits outstanding to Yugoslavia at the end of 1979 of \$6.9 billion and those to Cuba of \$1.9 billion are added to this sum, a total indebtedness of the communist countries (without China and Vietnam) of \$67.7 billion is obtained (see table below). By the middle of this year this may rise to \$70 billion.

What is the German share in these credits to the East bloc? The available data, based on the statistics of the Bank for International Settlements and the computations of German banks, which include the present level of syndicated long-term credits at Euromarket conditions, permit the following statement: the German share in credits to the East bloc without the GDR, but

including Yugoslavia and Cuba, reached a level of \$8.44 billion at the end of 1979. This amounts to roughly 14 percent of the total loans of Western banks to the East bloc.

The table below indicates how the German credits to the East bloc are distributed among the different debtor countries. The strongest relative involvement of the German banks is in credit transactions with the USSR (19.6 percent). But in absolute terms the credits to Poland, amounting to \$3.23 billion, assume the first position. Other debtor countries play only a subordinate role after the USSR and Poland, with amounts lower than \$1 billion. By August 1980, both the absolute amount of credits and the percentage share of German lending in Poland's total indebtedness will have risen further, owing to the new large DM credit to Warsaw. Without the generous German foreign currency aid the Poles would undoubtedly find themselves in an even worse economic position today.

The statistics show that the total involvement of the German banks in the East bloc has up to today remained within limits which can be considered altogether defensible. Even if in the extreme case, with an aggravation of the international situation, one or the other East bloc country should no longer be willing or in a position to pay, this would not constitute a catastrophe for the German Eurobanks. It is not known, of course, to what extent individual banks are involved. Such knowledge is impeded, on the one hand, by banking secrecy, and on the other hand by the fact that many credits are granted by consortia and therefore difficult to allocate to individual institutions.

In the current year the Eurocredit business with the East bloc continues on a rather low flame. From January to June only a bare \$1 billion in further credits was granted to the East bloc countries by the Euromarkets. In the third quarter, however, the credit volume will be growing again, owing to the two new large credits to Poland, in dollars and in D Marks, and a credit of over \$1 billion to Yugoslavia which is presently being arranged. Nonetheless, the share of credits newly granted to the East bloc countries by banking consortia in their total credit involvement is likely to remain below 10 percent in 1980 as against a 30-percent share of credits to developing countries).

In absolute terms: The Eurobanks expect a total volume of new lending of \$60 billion for 1980. The amount of this going to the East bloc is estimated to come to only \$4.5 billion. This is less than in 1979, with \$6 billion, and in 1978, with about \$5.7 billion. The main cause for this decline is to be sought in the behavior of the USSR, which evidently derives significantly increase foreign currency revenues from the sales of oil, gas and other raw materials and is no longer in need of a large volume of credits. On the other hand it has become more difficult for the East bloc countries to find syndicates for large credits, for since the unilateral blocking of the Iranian accounts by the Americans at the end of 1979 there has been virtually no possibility to bring American and German Eurobanks under a single umbrella.

For large credits the East bloc has to negotiate today with the Germans as well as with the Americans. The Eurobanks observe--as far as East bloc credits are concerned--a sellers market. For the two credits to Poland a high interest margin of 1.5 percentage point over the London Interbank Offer Rate [LIBOR] was obtained. For comparison: Western debtors pay barely over 0.5 percentage points in this spread. As late as February, Hungary had still been able to negotiate a "friendship spread" of 0.5 percentage points for its last \$250 billion credit, a rate which today would be considered obsolete by the market.

Table 1. German Euro-Market Credits to the East Bloc

Country	Total Net Indebtedness (\$ billion)	German Share ¹ (percent)	Absolute Level of German Credits ¹ (\$ billion)
USSR	10.6	19.6	2.077
Poland	19.6	16.5	3.234
Romania	5.7	7.2	0.410
Hungary	7.3	12.1	0.883
Bulgaria	3.9	17.4	0.678
Yugoslavia	6.9	13.4	0.924
Cuba	1.9	4.9	0.093
Czechoslovakia	3.2	3.9	0.125
[Subtotal]	59.1	-	8.444
GDR ²	8.6	-	-
[Total]	47.7	-	-

Notes: 1. Own estimates.

2. Credits from the FRG to the GDR are booked through the clearing account at the German Bundesbank.

9108

CSO: 3103

BROWN COAL DEAL, OTHER FRG-GDR TRADE EXAMINED

Frankfurt/Main FRANKFURTER ALLGEMEINE in German 3 Sep 80 p 13

[Article by "aa": "Brown Coal Agreement With the GDR"]

[Text] Leipzig, 2 September--From 1981 to 1985 the Gdr will deliver a total of 1.25 million tons of brown coal to the FRG. This has been confirmed by Dieter Wuerzen, secretary of state in the Federal Ministry of Economics, after a conversation with GDR Foreign Trade Minister Horst Soelle in Leipzig. Beyond this the FRG has secured an option on an additional 0.25 million tons. Without this option the agreement, which is to be signed at the current Leipzig fair, comes to about 0.1 million tons less than the deliveries of the past 5 years. In addition an agreement has been reached on the delivery to the GDR of brown coal processing machinery to the value of about DM 10 to 20 million, which is to be paid for by the GDR through counterdeliveries of brown coal dust, a fuel which can be burned in the cement industry in place of oil. The GDR provision of brown coal to West Berlin, which amounted to roughly 5 million tons in the past 5 years and is to continue at this level also in the future, has not been affected by this agreement, Mr von Wuerzen noted.

Both sides are content with the development of intra-German trade which in spite of the price increases responsible for its high growth rate evidenced a "real core" of growth in the energy market, von Wuerzen said. He noted, however, that in the second half-year the growth rates would flatten, owing in part to the business cycle developments in the FRG. Mr Soelle had promised him to investigate the complaints of West German exhibitors about relatively higher stall rents, which von Wuerzen called "discriminatory," and to take justified complaints into account by the time of the next fair in the spring of 1981.

In the realm of long-term intra-German trade, a pronounced uncertainty is at present to be observed in the GDR. The business contracts with Western countries published by the fair administration concern almost entirely small and short-term transactions. This is related above all to the fact that the new five-year plan, which begins in 1981, has not yet been fully worked out.

The present degree of indebtedness of the GDR to Western countries, above all to the FRG, does not give rise to concern, according to the opinion of Western business circles. In comparison with other state-trading countries, the level of GDR indebtedness to the West is relatively low in this view, especially if the production capacity of the country is considered. The GDR ranks 7th among all industrial countries. The debts of the GDR to the OECD countries at present amount to about \$8 billion (slightly less than DM 14 billion).

The most important creditors, after the grain imports of last year, are the United States, Japan and--as a transit country--Switzerland. In this context it is noted that the trade between the GDR and Japan is purely a "one-way" affair, so much so that Japanese suppliers are increasingly obligating subcontractors for the acceptance of compensation trade deliveries from the GDR, such as a construction enterprise in the FRG in the case of a new fair hotel in Leipzig.

The GDR debts to the FRG amount to somewhat over \$2 billion (roughly DM 3.6 billion). If measured against the share of intra-German trade in the total trade of the GDR with OECD countries, the degree of indebtedness (to the FRG) thus lies notably below the Western average. In the first 6 months of 1980, intra-German trade attained a share of 56 percent in the OECD trade of the GDR, a share which 9 years ago still came to 59 percent. The share of the FRG in the total indebtedness of the GDR to OECD countries, by contrast, comes to only slightly over 25 percent. It should be noted, however, that this calculation does not cover those credits which FRG banks have granted through their foreign affiliates, on the level of which no data are available.

9108

C90: 3103

NATO STRATEGY SEEN ONE OF 'ASSURED DEFEAT'

Paris STRATEGIE ET DEFENSE in French Jul 80 No 6 pp 3-4

[Text] An attack of the pact could be carried out from the start by nuclear weapons. That is the assumption of the following study.

For the Soviets the preventive attack would have to be paid for. The central proposal is a major invasion of the central region of Europe by the forces of the pact which would begin with a huge preventive nuclear attack of the theater of action. To believe anything else would be to hope that the Soviets would be nice enough to disregard NATO's deficiencies while putting up with NATO in the areas where it has some strengths.

NATO's display of ANT's and classical forces is an invitation to a preventive attack. In point of fact, for the foreign observer it would seem that the Alliance has organized itself deliberately to adapt and show off its forces for the purpose of providing the adversary with every reason to attack preventively.

The classic land forces, to travel to the combat positions assigned to them depend on some large freeways and railways that are easy to destroy. The tactical air forces are concentrated in a limited number of airdromes. The major headquarters and the centers of control, command and communication (the three C's) remain unprotected.

The reinforcements from across the Atlantic on which the Alliance depends to such a great extent must be channeled through a handful of large ports the use of which it is easy to forbid.

Theater weapons and munitions reserves, however mediocre they may be, are kept stocked at enormous sites, most of them virtually unprotected, even against classical air attacks. This is particularly true to American war reserves and stocks prepositioned for supplying units with armament and equipment.

The NATO nuclear theater weapons, as displayed, are just as much an invitation to a preventive attack. Most of the approximately 7,000 nuclear conical

points of the Alliance are stocked in places that are few in number and readily identifiable. Moreover, most of the launching systems capable of launching ANT's towards the most remote targets of Eastern Europe are themselves either immobile or dependent on vast stationary installations such as airdromes.

Never since the navy offered itself up in the Pacific to the Pearl Harbor massacre has a broader range of high-value targets been presented to a potential adversary.

These invitations to a surprise attack would be bearable if we had proof that the Soviets shared the political psychological obsession which theater nuclear warfare causes NATO. Or if the Soviets were actually dissuaded from a preventive nuclear attack by NATO's ANT's.

Unfortunately the Soviets persist in showing an irritating propensity to treat ANT's like instruments of war rather than like the symbolic means of communicating a political determination in scenarios imagined for our convenience. NATO's ANT's are ready for the slaughterhouse.

It has always been comforting to imagine that the Soviets attach the same importance to "parallel damages" and the act of crossing the nuclear threshold that we do. How pleasant it is to believe that in the next European war the Soviets would show a greater reluctance to destroy civilian populations than we did during the second world war! How it does suit us to believe that the Soviets share our viewpoint regarding the implications of crossing the nuclear threshold, and also that the Soviets recognize the subtleties of degree which we invent concerning combat at the ANT level!

The Soviets, in their actions at least, reject the theory of "gradual response," reject theories according to which ANT's are a resource in case of the failure of classical forces. They reject theories according to which ANT's should not be used except in extreme cases, and then only to demonstrate political determination.

For the Soviets theater nuclear weapons are only one of the various components of a massive joint attack armament, the first objective of which is to engage in warfare, not to dissuade anybody from it. Their use would be dictated in accordance with principles derived from advantages and not with preconceived notions holding that a dialogue with the enemy could be effective--and maintained--through the impenetrable fog of theater nuclear war by choosing adapted weapons and changing the selection of targets.

Because the military advantages of a preventive attack win out, regardless of the same political advantages which the other side might deduce from use by NATO first of its ANT's, the Soviets would have very few reasons for dropping the idea of using them first to try to derive some political advantages from them.

Actually Soviet doctrine in matters of tactical nuclear war always lays stress on a preventive attack as a means of creating "blitzkrieg" conditions and wiping out NATO's means of reinforcement.

It can be admitted that the Soviets' recent literature, like their own exercises, indicate that they envisage the possibility of a major conflict in Europe which could be characterized by an initial classical phase. The dominant doctrinal theme, however, remains a massive surprise attack, in depth, as a means of paralyzing NATO's defenses and as the action that would be the forerunner to a rapid advance of armored divisions and mechanized infantry forces through Western Europe.

Recent acceptance by the Soviets of the threshold existing between theater nuclear war and strategic nuclear war must not be misinterpreted and regarded as a refusal to cross the step separating classical conflict from nuclear conflict. Even though the Soviets no longer affirm the indivisibility of a nuclear war in Europe and a strategic exchange of a major war in Europe which could--and should--remain non-nuclear.

It could be this affirmation which leads them to the conclusion--not illogical--that it would be more profitable to be first in using ANT's rather than leave the choice to NATO. After all, NATO has a declared strategy of "being first in use" in the event of the failure of its classical forces.

Similarly the impressive setting up of classical forces during the past decade should not be interpreted as proof of a brand new preference for non-nuclear combat. The Soviets understand, perhaps better than anybody, that investments made in armed masses is the best defense against the extraordinary consumption of classical forces which could be done on the nuclear battlefield. Thus the old habit that the Russians have of stressing quantitative superiority, formerly destined to make up for technical inferiority, today provides the necessary insurance against losses envisaged in the framework of a war like the one which the Soviets believe would be inevitable.

All that would not matter much if we could have confidence in the credibility which the NATO theater forces inspire as to their ability to dissuade the Soviets from coming to a preventive attack. Unfortunately the position of NATO's theater forces looks far too much like the motorized combat vehicle of the army (American). Neither one of them corresponds to a cohesive, useful scheme, and they both scare those who use them more than those against whom they would be used.

One might wonder if NATO's ANT's could dissuade anybody from a nuclear war or provide effective defense, should dissuasion fail. About 70 percent of NATO's nuclear conical points destined for tactical use are linked with launching systems having an action range of less than 160 kilometers. The limited range of nuclear artillery, the Kike-Hercules ground-air weapons and the ground-grounds, "Sergeant," "Honest John," and "Lance," in all likelihood would be limited in their use to targets located above or on NATO territories.

This would be especially true in the framework of the so-called flexible response and steerage defense strategy which envisages not only that NATO should be first in using nuclear force, but that nuclear force should be postponed until such time as failure in classical combat might become imminent, that is until the pact's forces might cause NATO forces to retreat deeply into the territory of the FRG.

Knowing that the majority of NATO's weapons would be limited to attacks on the territory of the principal continental ally--a country responsible for the death of 22 million Russians--is not the sort of thing that scares the Soviets. They would not be any more frightened by NATO's other theater nuclear arms because, while these forces are capable of attacking targets in Eastern Europe, they are extremely vulnerable to a preventive attack.

One of the numerous ironies of the current balance of theater weapons in Europe is the reverse relationship that exists, at least to the west of the German border, between vulnerability and dissuasion. The NATO weapons least vulnerable to preventive attack (nuclear artillery, ground-ground mobile devices) are those which have the least value in dissuasion because they cannot reach the pact forces in the places where they would be most severely affected. Conversely, aside from a few exceptions, the means of nuclear attack which have a range sufficient to get at the pact's military infrastructure in Eastern Europe, such as the "Pershing" missiles, practically immobile, or such as the F4's or the F11's, cannot operate except from vulnerable airdromes. The Soviets have avoided this dilemma by associating range with highly mobile launching platforms.

But the most spectacular thing in the small amount of credibility that NATO inspires for discouraging a Soviet preventive attack is the complete absence within NATO's forces of even the most rudimentary preparation for theater nuclear combat. Despite a strategy which relies on "escalade" beyond the nuclear threshold, and despite insistent official statements about the importance of protection against chemical, biological and radioactive weapons, the forces of the United States and at the same time those of the Allies are virtually without any defense whatever in face of an adversary who not only intends to use such means, but, even more, is preparing to do so. In the face of an adversary who is making an effort to protect its troops from the potential effects of nuclear radiation, NATO continues to produce armored combat vehicles whose gear could easily be destroyed in a nuclear environment. Even the new American battle Tank XM-1 and the new motorized infantry vehicle do not have any protection system.

Restoring in some measure the dissuasive effect within the framework of adapted response and steerage defense requires at the minimum insuring the survival of NATO's forces, stressing long-range launching systems mounted on mobile platforms and finally stressing real protection against NBD weapons. Greater survival could be obtained through greater reliance on submarines and launching systems located outside of the territory and also through spreading nuclear artillery and its ammunition out over a greater

number of stationing points. It goes without saying that the centers of command and communication and other critical installations should be armored, and that stocks of non-nuclear munitions and of equipment should be made more secure.

Today, in face of the threat of a Soviet preventive attack, NATO is acting as if it were asking the Russians to do exactly what they say they are going to do.

9498

CSO: 3100

CHIRAC MAKES PRE-ELECTION SPEECH SOONER THAN EXPECTED

Paris LE MONDE in French 13 Sep 80 p 12

[Article by Andre Passeron: "Mr Chirac Vigorously Criticizes All of Giscard's Policies"]

[Text] In front of some 100 young Parisian and provincial RPR [Rally for the Republic] party officials gathered at an "educational seminar" in Paris, Mr Jacques Chirac started the autumn political term on Thursday 11 September, sooner than had been expected.

The chairman of the RPR has not explicitly revealed his intentions concerning the presidential election, but he has vigorously reaffirmed the RPR's disagreement with the policies of the head of the state.

By stepping in sooner than expected (he was scheduled to make a speech only on 1 October, at the Strasbourg parliamentary meetings), he attempted to put an end to the confusion existing within the RPR after the announcement of Mr Debre's candidacy, to reassure party members puzzled by the silence of their leader, surprised at the wavering attitude which is said to be his and to which they have not been accustomed, and, for some, responsive to the arguments of the only Gaullist who speaks up publicly.

By intensifying his campaign, with the assistance of a few old-time Gaullists and of personalities known for their opposition to Mr Chirac, Mr Debre has begun to hold the attention of some federations and former party members.

In front of his young audience of the third Gaullist generation, all enthusiastic "chiraquiens" impatient to see him announce his candidacy to the Elysees Palace, Mr Chirac dialogued for two and a half hours, using their vocabulary and speaking directly so that his answers sounded sincere, strong and full of vitality.

For instance, when, upon being asked: "Do you think that there is room for two Gaullist candidates in the presidential election?", Mr Chirac answered: "No, I don't," his audience did not think that the mayor of Paris meant that he would not be a candidate. Besides, he was very careful not to say that.

While his answer was prudent on purpose, so as to safeguard the future and even to let people assume that, some day, Mr Debre might withdraw his candidacy, all the rest of what he said was a call for mobilization: "Be many so as to make sure, when the time comes--and it will come--that the nation starts out of its sleep," which ended in a sort of accusing slogan: "Weakness, compromise and loosening up have never been proper methods of government, at least they are not suitable for France."

More of an Opponent Than Usual

None in Mr Chirac's audience thought that he might be pleading for anybody but himself when he pronounced an indictment of the executive power as severe as, but with many more arguments than, that presented on television three days before, at "Cartes sur Table", by Mr Debre (LE MONDE, 10 September). As if to stress the fact that they are both engaged in the same struggle, Mr Chirac quoted Mr Debre who had said that, while the French had made the "right choice" in 1978, "France had then gone on the wrong track."

Answering some 20 questions on a wide range of subjects, Mr Chirac questioned the action of the president of the republic or that of the government on all the problems mentioned, sometimes with lively verve. He has thus shown himself to be as much of a contestant as ever, and somewhat more of an opponent than usual.

It was a real litany, interrupted with frequent applique, which Mr Chirac reeled off:

- The economic situation?--"France reacted poorly to the crisis because it has abandoned every notion of planning. A sort of economy of the disorder has developed since the 1975's."
- The dispute with the fishermen?--"We need a 'round table'; solutions can be found."
- Veal with hormones?--"A frivolous campaign led by irresponsible individuals who cause a decline in the income of small cattle-farmers. I eat a lot of calf's head and I am none the worse for it."
- The agricultural common market?--"Today, everything is falling apart. Our increasing political weakness does not enable us to enforce the principles of the common market agricultural policy."
- The importation of Italian wines?--"Just cross the border, you will see how they change white wine into red wine overnight, and vice versa. This is more harmful than veal hormones. The vine is not an agricultural produce, it is a civilization. You cannot make an asparagus producer out of a vine-grower."

- The steel industry?--"The policy followed is not the right one. If France is to be a great power, it cannot dispense with a steel industry."

- The 1981 budget?--"They said we were funny; then, all of a sudden, the measures we had suggested have become necessary."

- The reduction of the military service?--"Our words have been shamefully disfigured by those who have found politically profitable to do so. Our national defense is not equal to our responsibilities."

"Nobody Cares"

- Detente between East and West?--"When Mr Giscard d'Estaing spoke of ideological detente, that was obviously an absurdity. To wish, for the sake of detente, that the Russians stop being communists, that is stupid. It is as if we were to ask the Pope no longer to be a catholic, for the sake of ecumenism."

- The Olympic Games?--"Our position has been ridiculous and shameful."

- Africa?--"The lack of an African policy is extremely dangerous?"

- Diplomacy?--"Our foreign policy is too weak, hesitating, wavering, and does not affirm a great design."

Mr Chirac also answered other questions in the same manner:

- The overseas departments and territories?--"We are not fully convinced of the government's will to prevent France from being reduced to a mere hexagon."

- Regional radio stations?--"One may wonder at the abuses of the monopoly which, it seems to me, condemn it without much discussion. I am considering the creation of a Parisian broadcasting station."

Before concluding, Mr Chirac described the state of public opinion as follows: "There exists today a situation of carefully maintained anesthesia. The Cambodians are slaughtered in July, and nobody cares; prices increase by 1 percent in July, and nobody cares; the Russians enter Afghanistan, and nobody cares; we have 1.5 million unemployed, and nobody cares. We keep on purring and, above all, we do not want to wake up. But we are in danger of waking up too late, in the midst of misfortune, tragedy and cataclysm..."

He received prolonged applause from the young members of his party and then chatted with them, visibly pleased with their approval.

INFLATION, TRADE DEFICIT INCREASE, BUT FRANC IS STABLE

Paris LE FIGARO in French 8 Sep 80 pp 1, 6

[Article by Alain Vernay "The French Miracle"]

[Text] Is there not a French miracle--or at least a French mystery? For 18 months the franc has not only remained quite firm by comparison with the dollar, but it has unfailingly maintained its position against the mark.

But consumer prices went up by 13.6 percent between July 1979 and July 1980, or easily twice as fast as in West Germany. They even rose at an annual rate of 14.9 percent in the first 7 months of 1980. At the same time the external trade deficit grew to 35 billion francs and will reach 55 billion francs between now and the end of December.

Must one draw the conclusion, given these facts, that the outside world mistakes the franc for France, that Raymond Barre deceives himself by reason of his prestige, but that a certain slippage has already occurred and that a serious threat will weigh on the franc as soon as the president of the republic chooses a new prime minister?

It must be seen as clearly as possible that there are few known cases where international financial circles have erred on the side of optimism--radically or durably--in their diagnosis. In general they anticipate events; moreover, the positions they take contribute largely to precipitating them.

A first explanation of the excellent behavior of the franc is that this diagnosis relates only to one currency and one country. Now France is quite far from being the only country affected by the great jump in oil prices of 1979-1980. If one can believe the latest OECD studies, the overall effect on member countries is a price increase of 10 points in 3 years: 5 in 1980, 1.6 in 1979, and 3.6 anticipated for 1981. With a corresponding loss of growth in the same time period of 0.9 percent in 1979, 3 percent in 1980, and probably 1.5 percent in 1981, or 5.4 percent in 3 years, which is enormous. The oil surcharge is going to mean for OECD countries an additional drain of \$194 billion: 94 in 1980, following 39 billion in 1979, and an estimated 61 billion in 1981.

Looking at such an overall situation, the judgments made by international trade figures who must cover their exchange risks are both comparative and more long-term than the immediate present. The economic community is always poorly impressed by recoveries due to massive injection of credits: in such cases it foresees that when they have been spent the fall will be all the harder. Now France is turning away from this path. What matters to France is moreover not only the recovery which Raymond Barre said in April 1977 could not be expected before 3 years, but also and above all the progress made in structural adaptation to the new conditions of world trade, an adaptation which he called in the L'EXPANSION Forum in 1979 the work of a decade. From this point of view, the verdict of France is extremely favorable. For its biggest trump, in the eyes of international observers, is the unwavering continuity and unparalleled scope of its program of nuclear electrification, which should by 1990 satisfy 50 percent of electrical needs, compared to 30 percent in 1980. This French voluntarism is all the more impressive as it contrasts with the great leap backwards of the United States and the quasiparalysis of Germany and Japan.

Indeed, the growth of France's trade deficit in 1980 is in part due to the increase in non-oil imports, and that is a fact worthy of note, as is that of a predicted inflation rate of 13 percent this year (annoying price increases were "crammed" into the first half of the year, easing the second half). But most significant in the eyes of Western finance ministers are two factors which must be examined closely: the first is the growth of the French share of the world markets; the second is the rapid transition of France from the group of less-advanced countries having invisible balance deficits to the group of advanced countries with surpluses, which is the very measure of progress in engineering, technology, and services in general. With that contribution, which should be 25 to 30 billion francs, the French deficit in current balance for 1980 should be only, to use the dollar as a common denominator, half that of Germany and Japan, or on the order of 7 billion dollars as opposed to 15 billion. That is a total which in the present world situation the experts find reasonable, one which does not create financing problems. Even less so as France's external debt is among the smallest.

For those whose job is to assess "the French gamble" by contrast, it is not reassuring either that the government wishes to maintain the overall purchasing power of the French, while purchasing power is declining in a number of other substantial countries, or--any longer perhaps--that there is announced a reduction of the workweek that could weaken the competitiveness of French products. If these factors, nevertheless, have not weighed heavily, it is because it appeared that the costs of this policy could be paid for by what is France's second trump: the progress in industrial productivity, no less than 5.9 percent in 1979, for example. It is also that in all the capitals of the West it is known that the prime minister rejects any decrease without an adjustment of working hours to permit better utilization of the industrial apparatus. And finally it is because the campaigns of several industrials, rejected by Raymond Barre as also by Francois Ceyrac,

for a monetary manipulation whose temporary beneficent effect on exports would quickly be annulled--and much more than annulled--by the higher cost of oil, have fallen on deaf ears.

Is it not strange, nonetheless, that the near-certainty that Raymond Barre will be replaced in Matignon by a yet unknown person, whose policy positions are even more speculative, does not excite tremors? If the prime minister were asked, doubtless he would answer that it is his policy, not his person, that counts. Doubtless, he would add that his policy is that ordered by the president of the republic, and that the latter would have no reason to want to change after the elections, that he wanted it to be implemented in its entirety before, and he proved it by approving an extremely severe budget.

This line is firm and long, since Valery Giscard d'Estaing is obsessed by France's adaptation to a new world in which the nations will have found their position well before the beginning of the next millenium. Such are doubtless the keys to the enigma, and one can better understand why the European monetary system, even without making use of its possibilities for flexibility, holds up well, and why the franc holds within it the best position of any of the community currencies. The enigma, in the final analysis, is perhaps that this is surprising.

9516

CSO: 3100

PARIS PAPER LAMENTS EUROPEAN RETICENCE ON WORLD CRISIS

LD261051 Paris LE MATIN in French 24 Sep 80 p 2

[Editorial: "Elysee's Big Silence"]

[Text] Last year it was Iran, then Afghanistan. Yesterday it was Poland. Now it is Iraq. All of them crises which threaten our political or economic interests and grip our hearts before seizing us, soon perhaps, by the throat.

With every new explosion that emerges from the depths of an entire people or from the initiative of their leaders, the West becomes a little more cruelly aware of its vulnerability. It is said--and it is probably true--that even the superpowers themselves no longer control what goes on in the world and that the USSR and the United States are reduced to reacting to individual movements over which they have no control. But what about us, the French and the Europeans, who believed, on the strength of what our leaders told us, that America's decline would encourage us to take over or at least that it would arouse thoughts of cohesion and conservation on the part of our continent that is still free?

Of course, caution and discretion are cardinal virtues for statesmen, especially in times of crisis, but in democracies such as ours a single man's lucidity and ability to analyze and make decisions cannot, in the event the situation becomes serious, replace awareness and involvement on everyone's part. Neither domestic political concerns nor the imminence of the elections can excuse the secrecy surrounding consultations (if any) or the absence of public information (which indeed there is).

What, then, was the purpose of the visits to the Middle East and the East, the bilateral or European summits, the more or less discreet Atlantic crossings or the meeting between foreign ministers? So do Giscard and Schmidt or even Margaret Thatcher have nothing that can, if not fully reassure us, then at least give us the impression that we are something more than impotent spectators and that even in the event of a heavy blow

we would manage to cope with it? Or is the best we can expect a further exercise in didactic diplomacy when the president decides it, as if there were no parliament, society or citizens in this country?

If this is the case, nothing can conceal our real indignation. It will have sufficed for Brezhnev to replace Gierek with Kania and for Saddam Husayn to wage war on Khomeyni to show us that we are as bereft of resources on the international chessboard as a soldier armed with a dress sword.

CSO: 3100

BANKRUPTCY IN SENEGAL ENDANGERS RENAULT, OTHERS

Paris LE MATIN in French 9 Sep 80 p 6

[Article by Isabelle Graviere: "The Third World: The Failure of Senegal"]

[Text] For the past 18 months, Senegal's industrial activity has been at a near standstill. The French are not likely to lose much sleep over it. Yet, Senegal is the 4th Black African country to which France is exporting, the 11th in the southern hemisphere.

So, when major equipment projects--such as the Dakar-Marine supertanker yard, the Cayar petrochemical complex or the Dakar University extension--are either reduced in scale or purely and simply abandoned, French enterprises--Pougetrolles, Dumez, Pechiney, Lafarge or Jeumont-Schneider--stand to lose large orders.

All the more so as the consumers' goods sector is also experiencing a strong recession. The sales of SCOA (West African Trading Company), the specialist of trade in Black Africa, fell by over one third in three years, in the marketing (with the chain of Score department stores) as well as in the automobile. In this sector, moreover, the situation is deteriorating rapidly. Citroen, which was scheduled to begin manufacturing its FAF vehicle--specially designed for the African market--in Senegal beginning last June, is still hesitant. As for Renault, it is no longer considering an increase in the production capacity of its Berliet-Senegal subsidiary, but rather a reduction of its personnel.

Other sectors are not better off: the food industry is declining; the construction trade is at a near standstill; textiles, shoes (Bata), even bicycles (Peugeot).

As a result, the activity of the three French banks with offices in Senegal--BNP (National Bank of Paris), Credit Lyonnais and Societe Generale--has been profoundly disrupted.

Of course, this general stagnation has only aggravated the financial situation of the country. Senegal, like most so-called developing countries, is not on the verge of, but in total bankruptcy. It is now six months and more

late in its payments, and unpaid debts are multiplying. This is why France, once more, has had to supply the bulk of international aid--430 million Francs out of 630--in the form of premium loans and advances. But Senegal needs at least one billion in the short term. France will probably advance this amount so French enterprises can be paid...

Q294

CSO:3100

'L'HUMANITE' JOURNALIST RESIGNS, GIVES REASONS

LD 290907 Paris LE MONDE in French 17 Sep 80 p 9

[Unattributed report: "'L'HUMANITE' Judged by One of Its Own"]

[Text] On Monday, 15 September, LE QUOTIDIEN DE PARIS published the letter which 32-year-old Jean Weber, former assistant to L'HUMANITE's social section chief, sent to the PCF daily's management announcing his resignation. Mr Weber compares the PCF's attitude to the entry of Warsaw Pact troops into Czechoslovakia in August 1968 with the attitude it adopted to the Soviet intervention in Afghanistan. He writes:

"What now remains of the PCF's efforts (and the mistakes it made) to continue the critical analysis of the political system in the countries under 'real socialism,' to develop an original view of the international workers' movement's future, to establish new political alliances and speed up the party's democratization?

"It is impossible to stop wondering why the PCF and its leaders abruptly 'rediscovered' that the PS was still a social democratic party and 'forgot' that it was a workers' party."

Mr Weber expresses doubts on "our independence as French communists." With regard to L'HUMANITE he states:

"What some sections of the press refuse their readers who do not like to be disturbed--sensitivity, revolt, humor, doubt, the free expression of contradictions and research--L'HUMANITE should adopt as its law. But it remains a dead letter: apathy, grayness, narrow-mindedness and small-mindedness, derisory ambitions and factional divisions hang over journalists who are kept under strict surveillance and weary readers who eventually give up. What is the point of that, who benefits by it?

"I refuse to suffer this daily pain."

CSO: 3100

BRIEFS

MARCHAIS TO VIETNAM--[PCF leader] Georges Marchais will make a trip to Vietnam at the invitation of the Vietnamese CP. The visit was arranged during a meeting in Moscow between Marchais and Vietnamese CP leader Le Duan. [Text] [Paris LE POINT in French 22 Sep 80 p 55]

POLITICAL RADIO BROADCAST--Pascal Gauchon, presidential candidate of the PFN [New Forces Party], has received from Giorgio Almirante, president of the Italian Social Movement, a promise to be able to use, as of January, an independent radio broadcast station located in San Remo and audible throughout southeastern France. [Text] [Paris LE POINT in French 22 Sep 80 p 55]

CSO: 3100

ECONOMIC DEVELOPMENTS UNDER CURRENT GOVERNMENT DESCRIBED

Reykjavik MORGUNBLADID in Icelandic 31 Aug 80 p 32

[Text] Tomorrow, 1 September, it will have been 2 years since the government of Geir Hallgrímsson resigned and the left-wing government of Ólafur Jóhannesson came to power. If we set aside the brief minority rule of the Social Democratic Party, the People's Alliance and the Progressive Party have constituted the main axis of government policy over the last 2 years. The following developments have taken place in these pivotal facets of the national economy during the 2-year term of the People's Alliance and the Progressive Party:

1) Government expenditures, which amounted to 138 billion kronur under the 1978 budget, have increased to 343 billion kronur under the 1980 budget. This is a 148 percent increase.

2) Direct taxes have risen by 20 billion kronur, and indirect taxes by about 30 billion. This has been a tax increase of between 50 and 60 billion kronur, or 1,200 to 1,400 kronur per 5-member family in the country this year.

3) Inflation as measured by the cost of living index has risen by about 124 percent. The cost of living index was 1,162 in August 1978 and stood at 2,600 at the same time in 1980.

4) The country's foreign debt totaled 134 billion kronur according to the exchange rate at the end of the last year of the Geir Hallgrímsson administration. Including the 1979 debt and scheduled 1980 loans, it is expected to hit about 380 billion kronur by the end of 1980, a jump of over 180 percent.

5) The price of the U.S. dollar was 260.4 kronur at the going purchase exchange rate at the end of August 1978 (25 August). Today, the dollar purchase exchange rate stands at 500.6 kronur (a 92 percent rise), and the going tourist exchange rate, which did not exist in 1978, is 550.68 kronur, an increase of 111 percent. Other exchange rate developments have been similar.

6) The purchasing power of wages, as compared to 100 in 1971, had reached 118.8 in September 1978, when the left-wing government took over from the Geir Hallgrímsson administration, and has not gone higher since. By April 1980 purchasing power had dropped to 103.8, which is the latest figure in the comparative chart of the Wage Research Committee.

8743

CSO: 3111

COUNTRY TO ACCEPT REFUGEES DIRECTLY FROM VIETNAM

Reykjavik MORGUNBLADID in Icelandic 28 Aug 80 p 3

[Text] The Vietnamese refugees who have been granted residence permits in Iceland have requested that the Icelandic Government also grant their families permission to settle in the country. The government has, in fact, allowed 19 additional Vietnamese to immigrate to the country. All these people live in Vietnam and must therefore get permission from the Vietnamese Government to emigrate.

"The government agreed that if these people were given permission to leave, it would receive them as refugees," Bjorn Fridfinnsson, secretary of the Icelandic Red Cross, said in a conversation with MORGUNBLADID. "This is a special arrangement that the UN High Commissioner for Refugees has worked out with the Vietnamese Government partly to reduce the flow of refugees. The agreement stipulates that under special circumstances, in order to reunite families or for other humanitarian reasons, a limited number of people would be allowed to leave Vietnam and to join their families abroad,"

"That's how it is on paper, but in actuality people have to pay sizable bribes to officials and the Vietnamese Government to enjoy this right. I don't know whether these people can ever scrape up enough money to come. I am not optimistic and I think that only a small number of these people will be allowed to leave," Mr Fridfinnsson said.

He added that the refugees had requested entry permits for more than the 19 who have already been allowed in.

Most of the refugees are still living in Reykjavik. One family, however, is living on the Seltjarnarnes Peninsula, and a few are living in Hornafjordur and in Husavik. The people are scattered all over Reykjavik, and at this point only one family and two individuals are still living in the house on Kaplaskjol Street in which they all lived in the beginning.

I Am Hopeful But Not Optimistic

"I am not optimistic about our relatives coming here but I hope they can," Hanna said. She was an interpreter for the Vietnamese when they first arrived. Hanna has received a residence permit for her parents, brothers and sisters and aunt.

"I wrote to them and asked whether they were interested in coming here. They all want to. They want the family to be reunited.

"They do not know whether the government in Vietnam will grant them permission to leave. They wrote to me that it could take a long time to get permission, and no one can be sure whether it will be granted or not."

Hanna said that the 19 Vietnamese who have received permission to immigrate from the Icelandic Government were relatives of 4 Vietnamese families and individuals who live here. One family has applied for permission for 13 of its relatives but has not received an answer yet. Others have not yet applied for immigration permits for their families.

We Are Safe Here

Hanna rents a room and shares a living room and kitchen with an Icelandic woman. In addition, she has a job that she likes and is very happy about living here.

"I feel better and better every day. It was difficult getting used to the climate at first. But this summer the weather has been similar to what we have in Vietnam. I have almost felt at home.

"The other refugees have had some difficulties making contact with Icelanders because they do not understand Icelandic. But when my Icelandic fails me, I resort to English. However, I have found it hard to be around groups of Icelanders. I understand very little of their conversation and must guess what they are talking about.

"But we are all very pleased that we are permitted to stay here. We feel secure; we don't, for example, have to worry about unemployment. The Icelandic people have also accepted us kindly. It would not have been of much use if the Icelandic Government had granted us permission to immigrate and the people themselves not received us with kindness.

"We are now waiting for Icelandic citizenship and we hope that it will be granted soon. We have all started to work and are standing on our own two feet. We have a bright future ahead of us," Hanna said in conclusion.

Doing Fine

Ari, who works as a cook at Askur, and his family have secured permanent residence for three of his relatives. They include Ari's eldest son, his father-in-law and sister-in-law. Ari and his family have now moved from Kaplaskjöl Street to Rannar Street in Reykjavik.

A MORGUNBLADID correspondent met Ari yesterday as he was working for Askur at the home fair in Laugardalshöll. He said that he was not sure whether his family would succeed in getting an exit visa from Vietnam.

But he was definitely pleased with how things were developing.

8743

CSO: 3111

EXPORTS OF TRADITIONAL PRODUCTS INCREASE

Oslo ARBEIDERBLADET in Norwegian 22 Aug 80 p 6

[Text] Norway's exports of traditional products--exports other than ships, platforms and oil/gas--increased during the first 6 months of the year by 21.5 percent over the same period last year. The total value of our exports of traditional products will probably increase by approximately 15 percent over 1979 for the whole year. Nevertheless, a minor drop in the total volume of exports can be expected.

Einar Magnussen, director of administration of the Export Council of Norway gave the above information at a press conference yesterday. Magnussen stated that the expected increase in exports for 1980 was a result of increased prices.

Sweden is our biggest export market. But despite the growing problems of the Swedish economy--and an increase in the value added tax by 2 percent--the situation to the Norwegian export industry is not disturbingly gloomy for that reason.

Aage Rygh, export envoy, Stockholm, pointed out that only one third of our exports to Sweden will be directly affected by the value added tax increase. The major part of our exports to our neighboring country to the east consists of input goods.

Although no growth is to be expected in the private Swedish consumption during the eighties, Norwegian export industries can be relatively optimistic with regard to the Swedish market in the eighties, Aage Rygh pointed out.

Einar Magnussen, director of administration, did not conceal the fact that the Norwegian export industry has a tough period ahead of it. But the trend of 1980 will probably be more favorable than what Magnussen considered possible in March of this year.

Of new markets in which, in the opinion of the Export Council, Norwegian industry has possibilities, G. Jerman, director, pointed out that West Germany and France seem to be interesting. The interest in the French market is especially growing.

There is not too much optimism regarding the further prospects in the British market. The results for the first 6 months of 1980 also bear out such a trend. The exports distributed on the basis of countries show the following results, measured in terms of percentage increases, Sweden 21.9 percent, West Germany 33 percent, Denmark 13.3 percent, the United Kingdom 7.8 percent, and the United States 1 percent. Most of the growth in exports to Sweden took place in the course of the first quarter of this year. Oil, gas and platforms have not been included.

7262

CSO: 3108

GOVERNMENT, INSTITUTIONS ON FIRST SEMESTER ECONOMIC PERFORMANCE

Bank of Bilbao: Sluggish Growth

Madrid ABC in Spanish 29 Jul 80 p 32

[Text] Madrid--In the first semester of the year there has been significant growth estimated at 3.5 percent, in agricultural and fishery activities, without taking into account the grain harvest, which is evaluated in the second half of the year. There was an increase in cattle and early vegetable production. Industry registered moderate growth in the first quarter of the year. However, in the second quarter, as managerial opinion and electrical consumption had foreshadowed, industry showed a downturn which is estimated at 0.8 percent during the entire first semester for industry and construction as a whole. Service industries suffered the effects of the fall in foreign tourism (11.6 percent) and the weakness of domestic demand. The compilation of data provides an estimate of 1 percent real growth for the semester under consideration. According to the Bank of Bilbao, the three major production sectors, when combined, put the growth of the GDP in the first half of 1980 at 0.5 percent. This rate of growth goes against the official forecast that the combined growth of the GDP would be raised to 1.5 percent in 1980. To achieve this, growth would have to reach 2.5 percent in the second half year, and certainly this is an impossibility.

The breakdown for demand indicates growth of 15 percent in domestic demand in the first half of the year, supported by increases of 4.7 percent in public consumption, 2.6 percent in the creation of gross domestic capital and 0.7 percent in private consumption.

The foreign deficit in goods and services is responsible for the 1 percent excess of domestic demand over production. Imports of goods and services rose 15.3 percent over the first semester of 1979, while exports only grew by 8.2 percent. The foreign deficit is calculated at 179.5 billion pesetas, a figure which must be added to the gross product to obtain the domestic demand. The rise in prices of imported goods and services, especially as a result of the price rise of oil, brings about another interesting phenomenon in the structure of implicit prices. While prices

incorporated into domestic demand rose 15.8 percent over the first semester of 1979, the implicit prices of the GDP rose only 13.7 percent. This difference of 2.1 points results from the deterioration of the terms of trade of the Spanish economy. A level of income supported by the rise in prices incorporated into demand. [sentence as published]

Government, Others Comment

Madrid ABC in Spanish 30 Jul 80 p 29

[Text] Government: Lower Growth Forecasts

Madrid--The Ministry of the Economy considers that the Bank of Bilbao's forecast which we published yesterday is "risky." The bank reported that the Spanish economy grew only 0.5 percent in the first half of the year. Anselmo Calleja, director general of Economic Outlook and Forecasting, commented yesterday to a group of journalists that the evaluation seems incomplete, and disregards two key factors in the country's economic development: the obvious slump in consumption and the revival of productive investments.

According to Mr Calleja, Spain is emerging from the new oil crisis using practices very different from those it adopted as a result of the first "boom" of 1973. "Then we paid for the increase in the oil bill at the expense of the State and by reducing the companies' profit margins. Today the consumers pay--the ones who should." In his opinion, investments are "coming out of hiding," and a clear indication of this is the increase in imports of capital goods, which was up 20 percent over 1979. "Someone is looking toward the future and reequipping himself; this is more important in the long run than current problems." Despite all these factors, the government is going to revise downward its predictions of real growth in the economy.

Rapid Adjustment Process

According to official projections, unemployment will increase even further, because growth of less than 2 percent always generates unemployment. "At the same time--according to the July economic memorandum of the Ministry of Economy--it is increasingly more evident and sure that the economy's process of adjustment as regards an adequate allocation of resources between consumption and investment is taking place more rapidly and with less cost in terms of inflation."

The increase in consumer prices in the 3 months leading up to May--the document continues--was at an annual rate of 9 percent as opposed to 16 percent in the same period of last year, while the OECD as a whole registered an annual rate of growth of 16 percent in those 3 months. "With an oil bill which represents 3 points in the index," Mr Calleja pointed out, "it is not so bad that in the first semester it has risen a few tenths over 1979."

Impact of Oil

The higher cost of oil--assuming an average price of \$30 a barrel for 1980--could take up 3 percent of the GDP, and promote the deflationary trend in total demand by 4 or 5 percent. The Ministry of Economy anticipates that the higher cost of oil and the lesser expansion of external demand are going to bring the current account of the balance of payments from a surplus of 1 billion dollars in 1979 to a substantial deficit (perhaps 4 billion). The administration appears optimistic, however, because of the "significant depreciation" of the peseta, which increases the competitiveness of Spanish exports.

Summing up all these factors, some positive (a better-adjusted economy, fewer tensions in the monetary and credit system, and strengthened public investment) and others negative (practically zero growth in the OECD and a substantial energy impact), the Ministry foresees "a modest rise in the level of economic activity in 1980."

Private Banking: Weaker Consumption and Investment

Madrid--All available indicators relating to the first half of the year show weakness, both in consumer demand and in investment, and a slowing down of foreign demand, states a report on the economic situation published by the Urquijo Bank.

In its publication "Perspectivas Economicas," the Urquijo Bank states its opinion that at present the growth rate of the GDP is about at a stagnation level, while the unemployment level has risen to 11.2 percent of the active population.

As for prices--the report continues--a slight recovery has been recorded in comparison with last year. Here, the tendency toward convergence between the Spanish inflation rate and that of the OECD is especially noteworthy. On the other hand, the balance of payments has worsened significantly, reversing its direction. The current account deficit rose to more than 1 billion dollars at the end of the first 4 months.

With regard to the overall rate of growth of the GDP, it is estimated that the foreseeable evolution of the major economic sectors makes it possible to predict growth of between 0.8 and 1.3 percent for the year as a whole, a figure similar to the one recorded last year, and to the average of that of the OECD countries, which it is estimated will be 1.25 percent. Unemployment also will continue to increase until it reaches 12 percent.

Referring to inflation, the report points to the figure of 16 percent, which is similar to that of 1979, if it is recognized that the evolution of prices during the second half of the year will be dependent on a series of adverse factors. Finally, the balance of payments will surely show a negative figure of not less than \$4 billion in current account; and, thanks

to the entry of capital, it will be reduced to some \$1.5 billion in terms of basic balance.

Chambers of Commerce: Balance of Payments Deficit

Madrid--The Chambers of Commerce in their report on the "Economic Situation" analyze the "substantial deceleration" of consumer demand, which especially affects durable consumer goods, "while slackness in the remaining components of aggregate demand continues to be noted." The Chambers of Commerce agree with the government, however, that the acquisition of capital goods abroad appears to indicate a reactivation of investment.

The report adds that levels are very low, and their effects will be "inappreciable" in the national economy as a whole. Construction, which had revived in the autumn of 1979, has belied this tendency, and continues in recession. Exports appear to be taking on new vigor, but are not reaching levels which allow general recovery. Imports, in their turn, are growing at rates which are very high for the level of economic activity in the country, but already there are signs of deceleration.

The Chambers of Commerce predict a worsening of the balance of trade, which in view of the limited improvement that can be expected in the balance of tourism and the exchange of goods and services, will possibly show a deficit of \$3.7 billion, which will cause a decrease in the level of reserves, and may lead to a gradual decline in the value of the peseta.

8131

CSO: 3110

FIRST DAY OF LIBERAL PARTY CONGRESS ASSESSED

Stockholm SVENSKA DAGBLADET in Swedish 23 Aug 80 p 2

[Editorial]

[Text] It was no bad speech which the chairman of the Liberal Party, Ola Ullsten, gave yesterday at the national congress of the party at Umeå.

He was applauded repeatedly. But it would not be true to say that the applause was warm or enthusiastic. It rather was dutiful.

It is not difficult to understand why. With a few exceptions, largely limited to the way in which he worded certain statements, Ullsten's speech was uncontroversial, almost mediocre.

There is hardly a trace in Ullsten of the involvement, quite often bordering on fervor, which in various ways characterized predecessors like Bertil Ohlin and Per Ahlmark. It may, to some extent, be said to be a question of personality. But it is also, to some extent, a problem to the Liberal Party, seeing that the party leader, to a very large extent, personifies the party's policy and profile.

The major part of Ullsten's speech was devoted to an effort to describe what liberalism means according to the Liberal Party.

It is important to stress "according to the Liberal Party." For although the Liberal Party is a liberal party, this does not mean--even if many Liberal Party chairmen would want it that way--that all positions taken by the Liberal Party automatically can be said to be liberal, nor that the policies of other parties, to a large extent, cannot also be called liberal.

As long as the Liberal Party seeks to present itself as having a monopoly on liberal standpoints, liberalism will have a much narrower basis from a party policy point of view than is actually the case.

Ullsten's speech, lasting for an hour, was followed by a debate on general policy issues, with about 60 statements. It is true that there was some self-criticism and criticism of the leadership of the Liberal Party, but it was sporadic and rather centered on the person of Carl Tham.

The debate was largely marked by recitations of proclamations on the importance of liberalism. A lack of slogans certainly does not mark today's Liberal Party politicians!

Some distinctive features could, however, be perceived in the assuredly nuanced debate.

Some speakers, led by Olle Wihberg, Member of the Swedish Riksdag, spoke warmly in favor of the development of the market economy, discussing ways of getting more resources for further social reform work through a successful economy.

Other speakers, some of them from the Liberal Party Youth League and obviously many professional full-time politicians or civil servants, talked about ways in which to use and distribute the resources which Sweden actually does not have today, as well as about the existing vast unsatisfied needs.

It is, of course, no accident that political approaches to problems differ so markedly. The same patterns exist in other parties.

But it presents a danger if the latter group, which, throughout the seventies, has been in control and, via taxation, has obtained new public resources for spending, will be able to retain its strong position also in the future. The shortcomings of Liberal Party politicians concerned with economic policy issues and with industrial ties, are flagrant, judging from the national congress debate.

Already after the first day of the national congress of the Liberal Party, one would venture to make the prediction that the 1980 national congress at Umeå will not be remembered by members of the Liberal Party as any major milestone in the history of the party.

7262
CSO: 3107

ULLISTEN AT LIBERALS' CONGRESS PRESENTS NEW FUND PLAN

Stockholm SVENSKA DAGBLADET in Swedish 23 Aug 80 p 4

[Article by Elisabeth Crona]

[Text] The re-elected party chairman of the Liberal Party, Ola Ullsten, emphasized the fund issue at the opening of the national congress last Friday:

"Union-controlled wage-earner funds are the final deathblow to the entire idea of a free market economy. This we have opposed, and we shall always be doing so."

"The implication of socialist proposals presented so far in the wage-earner fund debate is that, within 10-20 years, all major Swedish enterprises will have the very same dominant owner: the trade unions."

Ullsten regarded the fund issue as one of a number of Social Democratic proposals "which would lead us to a system quite similar to that which we call planned economy."

But the Liberal Party chairman also hit out at other quarters, at business managers and politicians whom he accused of shutting their eyes to the problems of the fund debate.

"The other threat to the market economy is coming from the business community itself. From the lack of insight into the risks involved in the possibilities of the market to function which the increased power concentration implies."

"And those who merely reject the fund undermine the economic system which they believe themselves to be defending."

Concrete Proposal

In the same context, he presented a concrete proposal:

"It is about time to make the unfair competition acts more stringent. The prohibition of tendering cartels could be expanded to include prohibition of price-fixing cartels and division and allocation of markets. The possibilities of the Swedish Market Court to prevent competition-reducing agreements ought to be expanded."

"It is no good idea to start saying that big groups will have to be accepted. We cannot do that," said Ola Ullsten on the eve of the upcoming battle over the economy.

A Center-of-the-Line Solution

"I have had with Falldin on the subject of the wage-earner funds," Ola Ullsten said at a press conference late Friday afternoon.

"I believe that, in the political center, there are many--also Social Democrats--who want a solution to the fund issue without, as it were, throwing the market economy away with the bath-water."

Ola Ullsten said that the wage-earner debate on the wage-earner funds had gone wrong from the start.

"The reason is that the Social Democrats and the Swedish Trade Union Confederation at first made proposals which had no basis and which they later on had to back out of."

"Another reason is that certain debaters from the business community have been conducting a vehement campaign."

For that reason, the chances of a varied debate have been very small.

In his speech at the national congress, Ola Ullsten mentioned areas in which he wants the savings plan to proceed with caution. At the press conference he mentioned one area where he believes it will be possible to make cutbacks, viz. food subsidies.

"These subsidies were never intended to become permanent. It is unfortunate if they grow big."

He was also wondering whether food subsidies can become an alternative to a differential value added tax.

LIBERALS VIEWED AS MISAPPLYING OHLIN ECONOMIC PHILOSOPHY

Oslo AFTENPOSTEN in Norwegian 25 Aug 80 p 8

[Commentary by Lars Hellberg]

[Text] The late Bertil Ohlin was very much present when Sweden's smallest government party, the Liberal Party, held its national congress at Umeå over the weekend. The steadily decreasing number of Liberals form groups on either side of a sharp dividing line according to how they interpret the political will which was never written by Bertil Ohlin, economist, Nobel prize winner and party leader.

In the present gloomy economic climate, differences are accentuated. The leadership of the Liberal Party has not proved capable of working out a political strategy that can unite the inheritors, far less the Liberal voters. This applies within the non-Socialist coalition, and even more to the period when the ideas of the party were tested in its solitary government position 1 year ago.

Today, however, it is the Conservative party leader, Minister of Economic Affairs Gosta Bohman, who is advocating a liberal revolution in the proper meaning of the word--political pickpocketing they call Bohman's liberal-conservative appeal. But last year's Riksdag elections and recent Gallup polls clearly show the lay of the land. With its 23.5 percent, the Conservative Party is larger than the Center Party (15.5 percent) and the Liberal Party (7 percent) together.

The non-Socialist voters have increasingly come to the conclusion that the liberal inheritance after Ohlin is better administered by the Conservative Party than by the Liberal Party. It may, of course, be an erroneous evaluation on the part of the voters who turn their backs on their old party in disgust and/or anger, but Ullsten's problem is that it is the voters who determine his and the Liberal Party's position.

One of the explanations of Bohman's success is that "liberals" who are setting the tone, among them party strategist, former party secretary and minister of energy Carl Tham, are still saying that "a higher quality of life, as a rule, requires increased public spending." And they do it on the grounds that "the basis for this feeling of political responsibility was formed by Keynes, Ohlin and others."

It is true that, through the Stockholm school, which, in many respects, anticipated Keynes, Ohlin broke with the old liberal school, warmly advocating increased public subsidies and a better system for protecting the weak in the society. The left wing of the Liberal Party today uses this more than 50-year-old dated philosophy as the basis for its claim that the Liberal Party is the liberal party in the non-Socialist coalition.

But it is an equally indisputable fact that the same Ohlin started being seriously worried when the public sector exceeded 30 percent of the national product and the tax differential in the higher bracket of the progressive income tax exceeded 50 percent. His successors, at any rate some of them, are discussing the choice of direction in 1980, irrespective of the fact that the public sector in 1930 accounted for between 10 and 15 percent, while it today accounts for over 65 percent.

Although it is typical of the identity crisis of the Liberal Party that this debate is being conducted outside the party organs. The national congress became instead a smooth affair where everybody consoled everybody that liberalism is the best thing, that the Liberal Party--regardless what the voters are led to believe--is the most liberal party, and that Swedish politics must be shaped in the center, whatever that may mean.

At Umeå there was no trace of the engagement bordering on passion for the cause of freedom of choice which used to characterize leaders of the Liberal Party such as Bertil Ohlin and Per Ahlmark. What is worse is that they discuss politics as a question where the party is placed in relation to the other parties, not on the basis of the ideas they have and the function which the party's proposals will have in the political decision-making process. To Swedish Liberals of today, politics is a profession, not a question of call and vision.

Gosta Bohman is easy game in the struggle for the non-Socialist voters.

7262
CSO: 3108

BUDGET DEFICIT, CONSUMER SPENDING CAUSE CREDIT MARKET CRUNCH

Stockholm SVENSKA DAGBLADET in Swedish 24 Aug 80 p 13

[Article by Lars-Georg Bergkvist]

[Text] Industry gets loans, but does not want to borrow. Households want to borrow, but do not get any loans. The granting of new loans by banks to private persons has practically ceased. At the same time, the grey market keeps growing.

The economic imbalance thus hits one sector--the credit market--in the fall of 1980.

The Swedes live beyond their means. The increase in the consumption must be reduced--not just through a value added tax increase. There is no scope for new credits for private consumption. What will be left of the lending possibilities of banks and capital market institutes when the government has had its budget deficit filled will have to be directed to the industries. The investments must gather momentum.

That is the goal of the credit policy. During the summer, the banks have had their lending increase cut back from 9 to 6 percent this year.

White or Grey

At the same time, much of the political debate centers on the unregulated "grey" market, which the Central Bank of Sweden has got no possibilities of controlling today.

There are no possibilities through regulations to control the grey market, says Sten Wahlberg, chief of the Swedish Bank Inspection Board.

It is true that the finance corporations are gradually becoming "white." The government can, in the future, introduce restrictions in the form of emission controls for bonds and ceilings on bank advances. But the finance corporations account for only 15-20 percent of the entire grey market.

"And as long as we have got stringent credit restrictions for the regulated market, the grey market will continue to grow," says Sten Wahlberg.

"Our original goal when sorting out the position of the finance corporations was to capture the major part of the grey market. But we soon had to give that up. To do that, we would have to keep a check on all those who do at all lend money: foundations, trade unions, private persons, enterprises. That is a practically impossible task."

Volume of Charge Account Purchases Low

Like most bankers, he, too, is doubtful whether it makes any sense to crack down on credit cards.

"They have largely merely been replacing part of the installment trade. If the controls in this area are tightened, other unregulated credit forms will merely increase."

Last year, the retail trade sold goods for 150 billion kronor, 1.8 percent of this volume--2.7 billion kronor--going via credit and credit cards.

Claes-Göran Källner, president of the Swedish Bankers' Association:

"Other measures than credit controls are needed. Marginal tax rates will have to be reduced. For private persons are today completely insensitive to interest levels on account of the deduction possibilities. To compete with the grey market, the discount rate--and thus the lending rate of banks--would today have to be 25-30 percent!"

The banks are also becoming worried that the credit restraints, at least on a long view, will become a problem to the relations with depositors.

"The situation is distressing," says Gunnar Schotte, president of the Wermland Bank.

"Seventy-five percent of our deposits come from the general public. It is true that the deposit figures for the summer look fine, but there is a strong pressure from the depositors among the general public. They want to borrow--we must say no."

Altered Savings Pattern

"At the same time, the savings pattern has changed during the last few years. The old pattern of saving for security is disappearing--people today save for certain objectives--for a house, a car, a boat. And what does it matter if, for a long time ahead, they will not be able to borrow on their money?" he asks.

"The high rate of inflation is another threat to bank savings," says Lars Jacobsson, Doc. Phil., head of the economic secretariat of the Commercial Bank.

"A rate of inflation of 13 percent and a yield of 10 percent on bank savings--that does not work in the long run. The banks are gradually becoming--very safe--storage places for short-term money."

"Another danger of becoming used, in the long run, to a high rate of inflation--and thus a high interest level--is the consequences in the housing market. A long-term increase in the discount rate by a one percentage point implies 10 percent higher housing costs."

Budget Deficit

But this is not the only headache of the banks today. The worst problems are caused by the budget deficit of 55 billion kronor.

Peter Engström, chief economist of the National Swedish Debt Office:

"The banks have landed in a strange situation of competition. Traditionally, they want, of course, to increase their deposits and advances. But the Central Bank of Sweden cannot allow a too steep increase in the volume of money--and thus in the inflation. That gives the banks two alternatives: Either to divert deposits, for example, to premium or savings bonds or to undertake an even larger bond portfolio."

Unprofitable Bonds

And government securities have of recent years been unprofitable to the banks. The maturities have, with a few exceptions, been long. An increasing volume of the advances of the banks has thus been tied up in long-term loans.

At the same time, the terms of deposits have become shorter. The special deposits of enterprises--with an interest rate of approximately 13 percent and terms of 2 weeks to 3 months--3 years ago, accounted for 19 percent of the deposits of commercial banks. The share has today increased to more than 30 percent.

Here was also included one of the big news of the spring in the credit market: bank certificates. They have a term of 30-180 days, a flexible rate of interest which each day is quoted on the stock exchange (and in SVENSKA DAGBLADET) and they can be resold in the open market.

Since the start in March, they have captured 20 percent of the special deposits--10 out of 50 billion kronor.

Tom Hedelius, president of the Commercial Bank (which has 40 percent of the certificates market):

"It is difficult to estimate how the growing bond portfolios will influence the profitability in the long run. It depends on interest rate developments. But if we make a marginal calculation today, comparing

the interest yields we get on government bonds with the interest we have to pay on bank certificates, the government securities become a completely losing proposition."

The bonds are, in practice, largely impossible to sell. There is no secondary market. It is true that separate transactions are made, but the number of prospective buyers is small--the National Swedish Pension Insurance Fund, insurance companies and other banks--and it is difficult for the sellers to find the right price.

And they, moreover, cause each change in the discount rate to have a strong effect on the result of the banks. A reduction of 1 percent in the discount rate means that the financing costs decline--and the net interest increases--by 800 million kronor for the commercial banks and 200 million kronor for the savings banks. That gives the bank sector an even more pronounced "reverse business trend" compared with the rest of the economy.

"Next year, we shall have the recession, the industries will be squeezed, the interest levels will drop--and our results will be improved," says Lars Nyren, president of the Gota Bank.

Hope for Reduction of Discount Rate

In bank quarters, it is now hoped that a reduction of the discount rate will take place already in the fall, but most people believe that it will take longer. The Central Bank of Sweden wants to keep interest rates at such a level that enterprises will borrow abroad and thus relieve the government.

That was also one of the main reasons for decontrolling interest rates for industrial bonds in the spring. Today they are 13-14 percent--4-5 percentage points above government securities.

Lars Jacobsson:

"This is a short-range policy. The monetary policy should instead contribute to correcting the balance problems. Industrial bonds--not housing and government bonds--should be given priority."

The sensitivity of business to interest rates when it comes to loans for investment purposes is a matter of dispute. Also for the industries, interest is deductible. The marginal rate of tax is 54 percent.

"With today's level of profitability in industry, it is not easy to get a capital budget to balance. The interest cost can be that which stops a project. There are a couple of recent examples of enterprises which were given permission to issue industrial bonds but did not use them on account of far too high interest rates," says Lars Nyren.

Enterprises Hold Back Investments

The enterprises thus hold back their investments. It is true that their investments are expected to increase by 20 percent this year, but from a very low level. And the state of liquidity of enterprises is high: 28.2 billion kronor in major industrial enterprises during the first quarter, according to the Swedish Central Bureau of Statistics. Nearly 80 percent of that money has been put into the banks: as certificates and special deposits.

Peter Engström:

"Why should industry not be able to put some of its liquid funds into government securities? That happens in most places abroad. But for that we need to build up a secondary market.

Discussions in this respect have now started on the initiative of the Skandia insurance company.

"One should, moreover, let banks and savings banks participate more directly in the financing of the deficit than merely as sellers of premium and savings bonds," Rolf Lundgren told the Swedish Savings Banks' Association.

"We are the ones who have the distribution network, and we are the ones, not the National Debt Office, who can participate by making deposits.

Credit Market 1979:

Deposits from the general public,	247.9	billion	kronor
Private commercial banks	38.1	"	"
Savings banks	32.7	"	"
The Swedish Joint Post Office and Commercial Credit Bank	22.0	"	"
Cooperative banks	7.2	"	"

For the 3 budget years 1978-80, the government reports a deficit totalling 132 billion kronor--66,000 kronor per household. That money the government cannot just pour into the economic system. Such an increase in liquidity would act as an enormous inflation bomb.

The government must instead immediately borrow back the money it cannot/will not borrow abroad.

No definitive calculation how to finance this year's budget deficit of approximately 55 billion kronor--27.500 kronor per household--is as yet available. But the revised budget made this past summer contains a calculation which, no doubt, will largely prove correct when the books for the year are balanced. The figures show that:

The Banks (including the Central Bank of Sweden) will have to undertake the major part: between 16 and 22 billion kronor--8,000-11,000 kronor per household.

Bank advances to the government take place in the form of purchases by banks of government securities. Like last year, bond holdings of banks will, this year, increase by approximately 20 percent. By the turn of the year, commercial banks will have a bond portfolio totalling approximately 80 billion kronor. That corresponds to approximately 30 percent of the total assets. The bond holdings of savings banks will increase by 10 percent to 22.5 billion kronor.

The government cannot directly force banks to purchase government securities. The government last July rejected a request from the Central Bank of Sweden to introduce a so-called investment duty.

But the Central Bank of Sweden has got another strong means of control by way of the so-called liquidity quotas which force large commercial banks to invest 40öre and savings banks 32öre of each new krone deposited, in liquid holdings--primarily government securities and housing bonds.

The liquidity quotas have been raised concurrently with increases in the budget deficit--the last time being 1 July 1980 by 2 percentage points to 32-40 percent.

And bankers believe that there will be further increases toward the end of the year. The law puts a ceiling on the quotas only at 50 percent.

Capital market institutes--primarily the National Pension Insurance Fund and insurance companies--will be buying government securities for approximately 13 billion kronor this year. That corresponds to 6,500 kronor per household.

They had to. The Central Bank of Sweden was given the right in April of this year to force capital market institutes to invest 75 percent of their money in government securities. That investment duty replaced a previous voluntary agreement.

The general public will this year be lending 7-9 billion kronor--3,500-4,500 kronor per household--directly to the government. This is done primarily through the purchase of premium and savings bonds.

This gives a total of 36-44 billion kronor. The remainder--13-17 billion kronor, or 6,500-8,500 kronor per household, the government borrows abroad.

It is true that, so far, the Kingdom of Sweden has got quite a bit left before reaching the international loans ceiling--the level at which the International Monetary Fund says stop. But there is total political agreement that borrowing abroad will rapidly have to be reduced. Interest payments and amortization payments alone on old foreign loans this year cost 9 billion kronor--4,500 kronor per household--and account for nearly half

of our acute economic problem: the balance of current payments deficit, which, this year, is expected to reach 20 billion kronor.

This is how the budget deficit is being financed:

	1978	1979	1980
Banks (including Central Bank of Sweden)	20	11	16-22
Capital market institutes	8	9	17
General public	3	12*	7-9
Foreign loans	2	9	14-17
Total	33	41	54

*The figure includes 3.5 billion kronor deposited by enterprises on the liquidity equalization account of the Central Bank of Sweden.

Source: Revised budget

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HANS BLIX: SWEDEN COULD SERVE AS NORTH-SOUTH MEDIATOR

Stockholm SVENSKA DAGBLADET in Swedish 21 Aug 80 p 7

[Article by Ingemar Lindmarker]

[Text] Sweden may come to play an important role as mediator in the difficult negotiations which will be taking place between the North and South countries in New York during the next 2 weeks. This statement was made by Under Secretary Hans Blix to SVENSKA DAGBLADET prior to the extraordinary meeting with the General Assembly of the United Nations.

"Our aid policy is to the rest of the world an equally important part of our foreign policy profile as our policy of non-alignment and our support to the United Nations," Hans Blix said.

The Swedish contribution to the general debate has been scheduled for Tuesday and will be made either by Minister of Foreign Affairs Ola Ullsten or Hans Blix. It is Hans Blix who, on the Swedish side, has been conducting the long preparatory work and who, in New York, will be the Swedish bridge builder in the controversies which can be expected.

"Unrealistic Targets"

One of the issues to be dealt with is the one concerning the growth targets of the developing countries for the eighties. The developing countries give 7.5 percent as the average growth rate, which, by the industrial countries, is considered unrealistic.

"The 6 percent growth target for the seventies was more or less reached," Hans Blix said. "But these figures conceal the enormous differences among the various developing countries, between, on the one hand, the oil-exporting countries and the new industrial countries in Asia, and, on the other hand, the poverty belt in Africa south of the Sahara."

On the Swedish side, it is believed that the extraordinary session may stop at a growth rate target of 6.5 percent for the developing world. The doubtfulness may be great because the high level of ambitions of the developing

world does not match the general willingness of the industrial world to grant aid.

Far from the Target

In 1979, the public development aid transfers rose to only 0.34 percent of the gross national product of the industrial countries. This is far from the ambitious target of 0.7 percent in the seventies which the developing countries now demand realized by 1984, with the goal of 1 percent by 1990.

"It is extremely important that a political pressure be exerted on the countries which lack behind, for example the United States and Great Britain," Hans Blix said.

"The difficult thing clearly is to sway the American opinion, including the Congress," he said. "The Carter administration wants to increase the aid, but it gains no hearing."

An idea which Blix believes may come up now is a joint energy pool, a pool in the World Bank to build up energy resources throughout the world. It is hoped that this would interest a larger American sector and that also the Arab countries would participate.

New North-South Talks

"Extremely difficult negotiations" are ahead, according to Blix, as far as the second main task of the extraordinary meeting is concerned, viz. the task of authorizing a new so-called global round of negotiations on North-South relations.

After the failure of the Paris dialogue, it is now important to work out a package plan for the negotiations where the interests of all the parties concerned will be considered. Blix says that the problems are suggestive of and surpass the problems of weighing in the different baskets at the European Security Conference.

To the industrial countries as well as to the non-oil-producing developing countries, it is important to secure oil supplies and a foreseeable price development. To the profit-making oil-producing countries it is important to have their funds secured against inflation, and to the big bloc of poor countries in the developing world, the need for assistance comes up anew.

Centralized or not?

However, it is a major subject of dispute, he says, whether the negotiations are to be centralized and taking place in New York, which the developing countries want, or decentralized and taking place, for example, in the International Monetary Fund and the World Bank, according to the model of the industrial world.

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If everything will be taking place within the United Nations, the bloc of developing countries can easily vote through proposals which are unacceptable to the industrial countries and, therefore, lead to no result. In the International Monetary Fund and the World Bank, the composition is different and the outcome not certain.

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BRIEFS

INDUSTRIALISTS WANT LABOR PEACE--In a call to workers, Istanbul industrialists have asked that past disputes, tensions, and animosities be forgotten and that production be resumed in a brotherly and harmonious manner. The Istanbul Chamber of Industry in its normal monthly meeting on Wednesday discussed the policies to be implemented and work that can be done in line with the goals and principles of the National Security Council in the wake of the military's take over. Industrialists who addressed the meeting wanted to clarify the need for expending extraordinary effort in repairing the damage to industry and the economy and set out the possible sacrifices and initiatives they could make as industrialists. The industrialists said that in particular there must be labor peace if there is to be an increase in production and exports. OTOSAN (Turkish Automotive Industries) Group Coordinator Ahmet Binbir, who addressed the meeting, wanted the Chamber Council to adopt a resolution to the effect that past discord, disagreements, and tensions in the factories--which have been open since Monday--would be forgotten and that workers and employers would pledge to conduct themselves in a harmonious and brotherly fashion. Binbir's proposal was greeted with applause from the Council members. [Text] [Istanbul TERCUMAN in Turkish 19 Sep 80 p 5]

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